



PILKINGTON

First in Glass

DIRECTORS' REPORT AND ACCOUNTS

YEAR TO 31ST MARCH 2000

CONTENTS

2	Directors' report	20	Investments – trade investments
5	Corporate governance	21	Stocks
8	Report on directors' remuneration	22	Debtors – amounts falling due within one year
14	Financial review	23	Debtors – amounts falling due after more than one year
18	Accounting policies	24	Investments – marketable
22	Group profit and loss account	25	Creditors – amounts falling due within one year
23	Statement of total recognised gains and losses	26	Creditors – amounts falling due after more than one year
23	Note of historical cost profits and losses	27	Analysis of financial liabilities
23	Reconciliation of movement in shareholders' funds	28	Financial instrument disclosures
24	Balance sheets	29	Provisions for liabilities and charges
25	Group cash flow statement	30	Deferred taxation
26	Notes on the financial statements	31	Deferred income
Note 1	Segmental analysis of the Group's continuing operations	32	Commitments and contingent liabilities
2	Segmental analysis of the Group's discontinued operations	33	Called up share capital
3	Acquisitions	34	Movements on share premium account and reserves
4	Segmental analysis of the Group's share of joint ventures and associates	35	Minority interests (balance sheet)
5	Geographical analysis of the Group's turnover by markets	36	Reconciliation of operating profit to net cash inflow from operating activities before exceptional costs
6	Net operating assets	37	Acquisitions and disposals
7	Exceptional items	38	Analysis of changes in net debt
8	Statutory information	39	Employee pay and numbers
9	Investment income	40	Pensions and similar obligations
10	Net interest payable and similar charges	41	Related party transactions
11	Taxation	42	Post-balance sheet event
12	Minority interests (profit and loss account)	52	Principal subsidiaries in the Pilkington Group
13	Dividends	53	Directors' responsibility in respect of the preparation of financial statements
14	Earnings per share	53	Report of the auditors to the members of Pilkington plc
15	Intangible fixed assets	54	Pilkington results expressed in euros
16	Tangible fixed assets	56	Group financial record
17	Investments – subsidiary undertakings (company)		
18	Investments – joint ventures		
19	Investments – associates		

DIRECTORS' REPORT

The directors of Pilkington plc present their annual report and the audited financial statements for the year ended 31st March 2000.

The Group profit and loss account for the year is set out on page 22 and in the accompanying notes.

Principal activities and review of business

The principal activities and operations of the Group are described on pages 4 to 14 of the Annual Review and Summary Financial Statement. The principal subsidiary undertakings are listed on page 52 and the principal joint ventures and associates in notes 18 and 19 respectively of the notes to the financial statements. Further information, including details of important events affecting the business of the Group, its joint ventures and associates, is given in the Chairman's Statement and the Financial Review.

Results and dividends

Profit on ordinary activities before taxation and exceptional items was £175 million (1999 £135 million). The profit on ordinary activities before taxation but after exceptional items was £52 million (1999 £118 million). The loss attributable to shareholders of Pilkington plc was £4 million (1999 profit £54 million).

The directors recommend the payment of a final dividend of 3.25p per ordinary share which, taken with the interim dividend of 1.75p per ordinary share, makes a total dividend for the year of 5.0p per ordinary share (1999 – 5.0p). Payment of the recommended final dividend, if approved at the annual general meeting, will be made on 11th August 2000 to shareholders registered on 16th June 2000.

Share capital

At 31st March 2000 there were 1,100 million ordinary shares of 50p each in issue (1999 – 1,092 million shares).

Options were granted in the year to employees and directors under the company's share option schemes in respect of 12 million shares (1999 – 13 million shares).

Further details of changes in the share capital are shown in note 33 to the financial statements.

Substantial shareholdings

At 30th May 2000, the company had been notified of the following interests in its ordinary share capital:

	No of shares (millions)	% of issued share capital
Franklin Resources, Inc.	153	13.9
Active Value Fund Managers Limited	66	6.0
Norwich Union plc	45	4.1

Research and development

Research and development expenditure for the Group amounted to £37 million for the year to 31st March 2000 (1999 £39 million). Just under half of this expenditure was in the UK, primarily at the Pilkington European Technical Centre at Lathom, Lancashire, and the remainder at the Group's R&D facilities at sites in the USA and Europe.

Employment policy and practice

At 31st March 2000 there were 28,500 people working for the Group worldwide, of whom 19 per cent were employed in the UK, 41 per cent in the rest of Europe, 21 per cent in North America and 19 per cent in the rest of the world.

The Group's human resources policy and practice are designed to secure the goodwill, motivation, commitment and contribution of all employees to the aims and success of the business. The Group's policy statement has been distributed to all Group companies.

The Group has a long established and well recognised policy of encouraging employee involvement through communication and consultation on a wide range of issues. Wherever possible, employees are invited to participate in multi-disciplinary quality and process improvement activities.

The Group publishes an international magazine, *Pilkington Focus*, which communicates the Group's interim and final results and exchanges news on Group businesses.

A European Forum is well established, at which senior management and employee representatives from the Group's European operations meet annually to exchange information and views on the business.

Equal opportunities

Pilkington is committed to a policy of equal opportunities in all its companies and to meeting its obligations to offer employment opportunities to disabled people and people becoming disabled during their employment. A policy statement has been distributed to all Group companies.

Training

The Group has a policy on people development which embraces its commitment to the training and retraining of employees at all levels in order to develop their full potential. A policy statement has been communicated to all Group companies. The Group has its own training activity in the UK, which services management development programmes. Group companies also have their own training programmes for their employees. Most UK businesses have achieved the Investors in People standard.

Health and safety

The board is committed to achieving best international standards of health and safety throughout the Group.

The Group's health and safety policy includes a requirement for full health and safety audits of all facilities. These cover management responsibilities, standards and monitoring mechanisms. A copy of the policy may be obtained from the company secretary and is also on our web site at www.pilkington.com. Information on the Group's safety performance is on page 16 of the Annual Review.

Environment

Pilkington strives for the highest standards in all the countries in which it operates. A copy of the Group's environmental policy may be obtained from the company secretary. An environmental review is also available from the company secretary and is also on our web site at www.pilkington.com.

More information on environmental issues is on pages 16 and 17 of the Annual Review.

Pilkington and the community

During the year Pilkington made donations to charitable organisations in the UK amounting to £118,000 (1999 £137,000). Donations to charitable organisations overseas amounted to £318,000 (1999 £310,000). No political contributions were made.

The board believes that all Group companies and their employees benefit from making an appropriate contribution to the communities in which they operate and it will continue to encourage this.

DIRECTORS' REPORT**Close company status**

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to Pilkington plc.

Payments policy

The company's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms which are detailed on the company's purchase orders. It is company practice to abide by the agreed terms of payment. Trade creditors amounting to £1 million are reported in note 25 to the financial statements, and represent 10 days of average daily purchases.

Directors

The directors of the company are shown on pages 20 to 21 of the Annual Review and Summary Financial Statement.

Glen Nightingale retired as a director on 31st October 1999, on reaching the normal retirement age for executive directors.

In accordance with the company's Articles of Association, Sir Nigel Rudd and Paolo Scaroni will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election.

Apart from service contracts and share options, no director of the company had any significant interest in any contract with the company, its subsidiaries, joint ventures or associates.

Directors' interests

The interests of the directors and their immediate families in the share capital of the company and the number of options held by them in respect of the company's shares are set out in the Report on Directors' Remuneration on pages 8 to 13.

Post-balance sheet event

On 25th May 2000 the Group announced that agreement had been reached with Nippon Sheet Glass Co Limited (NSG) to acquire NSG's interests in the Pilkington subsidiaries Libbey-Owens-Ford Co, its subsidiary undertakings L-N Safety Glass and L-N of America, and Pilkington Automotive UK Limited. In exchange, Pilkington will issue NSG with 122,222,630 new ordinary shares representing 10 per cent of Pilkington's enlarged share capital. These shares will rank pari passu in all respects with existing Pilkington ordinary shares except that they will not be entitled to a final dividend in respect of the year ended 31st March 2000 to be paid in August 2000. NSG has undertaken not to sell the Pilkington shares for a period of at least three years.

The transaction is conditional upon the approval of Pilkington shareholders and a shareholder circular and notice convening an extraordinary general meeting will be sent to shareholders separately.

Annual general meeting

The notice convening the annual general meeting to be held at the Pilkington European Technical Centre, Hall Lane, Lathom, Nr. Ormskirk, Lancashire L40 5UF on Thursday, 20th July 2000 at 11.30 am, is sent to shareholders separately with this report, together with an explanation of the items of special business.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue to act and a resolution proposing their reappointment as auditors to the company will be submitted to the annual general meeting.

By order of the board,

John McKenna

Secretary

1st June 2000

This statement, together with the Report on Directors' Remuneration, describes the way in which the principles and practices detailed in the Combined Code – Principles of Good Governance and Code of Best Practice, which is annexed to the Listing Rules of the Financial Services Authority, are applied within the Group.

The company has complied with the provisions of Section 1 of the Code of Best Practice throughout the year, except for the formal appointment of a senior independent director and the introduction of one-year notice periods in service contracts for current executive directors. In addition, in accordance with the transitional rules set out by the Financial Services Authority, the board has completed a formal review only of internal financial controls. These matters are referred to in this report.

The board of directors

The board consists of a non-executive chairman, chief executive, two other executive directors and four non-executive directors. It meets regularly throughout the year and has adopted a formal schedule of matters reserved for its decision. The board directs and controls the Group and is responsible for strategy and operating performance. All directors receive regular information on the Group's operational and financial performance, risk management, business plans, future strategy and executive management. All directors have access to the company secretary, and, to enable the board to discharge its duties, all directors have full access to information. Any director who, in furtherance of his duties, wishes to take external advice, may do so at the expense of the company.

The non-executive directors do not participate in any of the Group's pension schemes or in any of the Group's bonus, share option or other incentive schemes. The board considers all the non-executive directors to be independent as they are independent of the Group's executive management and free from any business or other relationship which could materially interfere with the exercise of independent judgements. The board does not consider it necessary to identify a single senior non-executive director in addition to the chairman; each of the main board committees – Audit and Remuneration – are chaired by a non-executive director.

All directors seek election to the board at the annual general meeting following their appointment and thereafter seek re-election by rotation every three years. Every director receives appropriate training and business familiarisation as required on the first occasion that he or she is appointed to the board, and subsequently as necessary.

Board and executive committees

Certain matters are delegated by the board, under written terms of reference, to the following committees:

- **Management Committee.** This committee consists of the executive directors and certain senior managers under the chairmanship of Paolo Scaroni and formulates policy and strategy for the board's approval. It is responsible for ensuring that the policies of the board are carried out on a Group-wide basis. This committee is also responsible for the development of annual budgets and operating plans linked to the management and control of the day-to-day operations of the Group including the monitoring of performance against those budgets and plans. It approves capital expenditure up to predetermined limits set by the board and monitors key research and development programmes and the operation of technology licences to and from the Group.
- **Audit Committee.** This committee consists of all the non-executive directors under the chairmanship of Oliver Stocken and has responsibility for reviewing the Group's internal control and risk management systems, its accounting policies and the nature and scope of the internal and external audits. This committee also keeps under review the cost-effectiveness of both external and internal audit and the independence and objectivity of the auditors. The chief executive, finance director and chief internal auditor, together with the external auditors, attend and report as appropriate.

CORPORATE GOVERNANCE

- **Remuneration Committee.** This committee consists of all the non-executive directors under the chairmanship of James Leng. It is responsible for determining the Group's policy for executive remuneration and, in particular, for approving the terms and conditions of employment of the executive directors. It determines appropriate performance conditions for bonus and executive share option schemes and approves awards and the issue of options in accordance with the terms of those schemes.
- **Senior Executive Development Committee.** This committee consists of the executive directors, together with the Group director of human resources, under the chairmanship of Paolo Scaroni. It formulates and reviews senior management succession plans, is responsible for the overall direction of the development of the Group's management resources and approves the terms and conditions of employment of the senior management.
- **Nomination Committee.** This committee consists of all the non-executive directors, together with the chief executive, under the chairmanship of Sir Nigel Rudd. It is responsible for nominating candidates for the board as executive and non-executive directors.

Directors' remuneration

The board's report on directors' remuneration is contained on pages 8 to 13. This report details the remuneration policy and particulars of the remuneration of each director. A significant proportion of the remuneration of the executive directors is linked to corporate and individual performance.

Following careful consideration of the recommendation in the Combined Code that notice periods in executive directors' service agreements should not generally exceed one year, it has been decided to honour existing service agreements, which contain a two years' notice provision, but it is the intention that in future the notice period in the standard service agreement to be offered to any new executive director will be one year.

The board has considered whether the circumstances are such that the annual general meeting should be invited to approve the policy set out in the board's report on directors' remuneration, and has decided that it should not do so.

Relations with shareholders

Meetings with principal institutional investors are held on a regular basis. There is an opportunity for individual shareholders to question directors at the annual general meeting and to discuss any issues on an informal basis at the conclusion of that meeting. Also, shareholders can communicate directly with individual directors and the company secretary during the year. In addition, a web site containing published information, including a briefing for investors, presentations to analysts and press releases can be found at www.pilkington.com.

The management of business risk and internal control

The board is committed to the protection of the Group's assets and resources, through an effective risk management process, including, where appropriate, by insurance.

The board is also responsible for the Group's system of internal financial control and for reviewing its effectiveness; such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Combined Code has introduced a requirement that directors should review the effectiveness of the Group's system of internal control and report to the shareholders that they have done so. This requirement extends the directors' review to cover all controls, including operational and compliance controls and risk management as well as financial controls. In accordance with the transitional rules of the Financial Services Authority for financial years ending before 23rd December 2000, the directors have this year completed a formal review only of the effectiveness of internal financial controls.

In addition, the board has progressively during the year established a formal process for identifying and evaluating the significant risks affecting the business, including operational and compliance risks, and the controls, policies and procedures by which these risks are managed. This process will enable the directors to extend their review of internal control within the Group's consolidated operations throughout the year to 31st March 2001 and to report thereon in line with the Combined Code.

Management has responsibility for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed by the business management teams on a continual basis and may be associated with a variety of internal and external sources including production breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. This is reinforced by the Code of Business Conduct, approved by the board, which since 1995 has provided practical guidance for all staff. There are also supporting Group policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

Management report to the Audit Committee on their assessment of risks and how they are managed. Internal Audit independently review the risk identification mechanisms and control processes implemented by management, and report to the Audit Committee on a regular basis. The Audit Committee reviews these procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the board.

A process of control self-certification and hierarchical reporting is in place. This provides for a documented and auditable trail of accountability against internal financial control policies and procedures, including the Code of Business Conduct. These procedures are relevant across all Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the board. This process is facilitated by Internal Audit who also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The chief executive also reports to the board on behalf of the Management Committee on significant changes in the business and the external environment, which affect the risk profile of the Group. The finance director provides the board with monthly financial information, which includes key results and performance indicators. Where areas for improvement in the system of internal control are identified, the board considers the recommendations made by the Management Committee and Audit Committee.

The responsibility for risk management and internal control procedures within certain material joint ventures, in particular the 35 per cent owned Mexican associate Vitro Plan SA de CV, rests largely with the boards and senior management of those operations.

REPORT ON DIRECTORS' REMUNERATION

The remuneration of the executive directors is determined by the Remuneration Committee, which consists of all the non-executive directors. The role of the committee is to determine the terms and conditions of employment of executive directors and to approve suitable performance-related criteria for annual and long-term bonuses and the issue of options under the Group's senior executive share option and bonus schemes. The committee is advised by the Group director of human resources and by specialist external remuneration consultants.

Policy objectives

Key objectives of the remuneration policy are to ensure that salaries and incentives are aligned with the performance of the Group and the interests of shareholders and to enable the Group to attract, retain and motivate the highest calibre of executive on a worldwide basis.

In framing the remuneration policy, full consideration has been given to Schedule B of the Combined Code.

The Group operates throughout the world and the remuneration arrangements of executives need to be tailored to the competitive requirements in the country of employment.

All elements of the terms and conditions of employment are reviewed against external data drawn from the countries in which the Group operates, with the help of independent advisers. In the UK, the committee considers data supplied by external advisers which is drawn from a sample of comparator companies chosen on the basis of industry sector, size, complexity and international dimension.

During the year the long-term bonus and share incentive arrangements have been reviewed. This has been the first such review for a number of years and it will simplify the current arrangements. As a result certain proposals will be placed before the annual general meeting for approval.

Executive directors' remuneration

The normal remuneration arrangements for executive directors consist of basic salary, performance-related bonuses and longer-term incentive programmes, and benefits which include company car, medical insurance and pension entitlement. However, the international composition of the board means that the arrangements can vary according to the individual.

The remuneration of the executive directors was as follows:

	2000				1999			
	Basic salary £000	Other benefits £000	Annual bonus £000	Total £000	Basic salary £000	Other benefits £000	Annual bonus £000	Total £000
Paolo Scaroni	650	116	390	1,156	575	2	110	687
Andrew Robb	280	104	140	524	270	20	50	340
Warren Knowlton	357	90	202	649	321	126	112	559
Glen Nightingale*	210	143	82	435	270	16	50	336
	1,497	453	814	2,764	1,436	164	322	1,922

*Retired from the board on 31st October 1999.

Details of pension arrangements are noted below.

Paolo Scaroni was the highest paid director in 2000 and 1999.

Other benefits

The benefits for Paolo Scaroni include £101,000 to cover costs on relocating to the UK, in accordance with normal policy, and the provision of a car from October 1999.

The benefits for Andrew Robb include a cash allowance in lieu of the provision of a company car from February 2000, and a payment of £83,000 to buy out his banked cumulative leave to which he was contractually entitled.

The value of other benefits for Glen Nightingale includes payments for untaken holidays and £110,000 for cumulative leave according to his contract. Cumulative leave used to be a standard term for UK employees. It arose

from the banking of holidays not taken in the relevant year, which could ultimately be paid for on retirement or leaving the company. This arrangement has now been terminated. There are no further entitlements for directors to cumulative leave.

Warren Knowlton is based in the United States of America and his salary takes account of United States conditions. His benefits include £54,000 for the provision of accommodation in Toledo, Ohio, and £16,000 for healthcare coverage.

Bonus arrangements

In addition to basic salary, all executive directors are eligible for an annual performance-related bonus, which is not pensionable. This bonus is designed to reflect both the Group's performance and the executive director's contribution to it, and is payable only if specific profit performance targets are met. These targets are set each year by the Remuneration Committee and payments to executive directors for 2000 were capped at a maximum of 60 per cent of basic salary, except for the arrangement with Warren Knowlton who is also entitled to a bonus based on the performance of the automotive business in North America.

The bonus payable to Paolo Scaroni has to be used in connection with the acquisition of shares pursuant to the rules of the deferred bonus plan.

In the event that all targets had been fully achieved, the maximum performance bonuses payable to directors would have been £886,000 (1999 £723,000). In 2000, the bonus payable was £814,000 (1999 £322,000) which was 92 per cent (1999 – 45 per cent) of the maximum.

Pensions

Prior to April 1999, Paolo Scaroni was entirely responsible for his own pension arrangements. From that date, an arrangement was introduced whereby he waived an element of his salary which was invested by the company on his behalf in an executive pension plan. The sum invested for 2000 was £67,000, this being the maximum allowable under Inland Revenue rules.

Glen Nightingale was a member of the Pilkington Executive Pension Scheme which entitled him to a pension on retirement of two thirds of pensionable salary. The company paid annual contributions, of 12.5 per cent as a proportion of salary, to the pension scheme for the seven months to his retirement. The aggregate cost was £20,000 (1999 £38,000).

Andrew Robb's pension arrangements are affected by the Inland Revenue cap on approved pension benefits. These pension arrangements entitle him to a pension on retirement of two thirds of pensionable salary. They are partly funded through personal plans and the balance is unfunded but fully provided for in the financial statements. The aggregate cost of these arrangements was £87,000 (1999 £412,000).

Warren Knowlton is a member of the United States-based Libbey-Owens-Ford pension schemes which are effectively money-purchase arrangements. The company pays an annual contribution to these schemes of 30 per cent of salary, plus the related tax liability. In 2000, this amounted to £207,000 (1999 £187,000).

The increase in annual inflation-adjusted accrued pension entitlement for the executive director participating in a defined benefit pension scheme, the total annual accrued pension payable at the normal retirement age of 60, and the transfer value of the additional entitlement (representing the capital sum required to fund the additional settlement, which is calculated in accordance with the advice of independent actuaries on a basis consistent with that used for similar calculations under the Group's pension schemes) are as follows:

	Accrued annual pension payable			Transfer value of additional entitlement
	Years of service	During 2000 £000	At 31st March 2000 £000	At 31st March 2000 £000
Andrew Robb	10	12	105	218

REPORT ON DIRECTORS' REMUNERATION

Payments to former directors

Roger Leverton is in receipt of a pension from Pilkington plc with effect from 22nd April 1999, his 60th birthday. This pension is fully provided for in the financial statements. For 2000 this payment was £171,000.

Glen Nightingale received £1,375 under a consultancy agreement which guarantees £5,500 per annum in respect of five days' work in a full year.

Share options and deferred bonus plan

The Group strongly believes in the value of employee share ownership in order to align their interests with those of shareholders and therefore encourages employee participation in share options and share purchase schemes. As a result of such schemes, many of the Group's employees have interests in the company's shares. All the executive directors and senior executives have been given share ownership targets which they are asked to achieve by 2002. The target for the Group chief executive is 325,000 shares and for each of the other executive directors is 165,000 shares.

The Group operates three types of share option scheme: a worldwide scheme for all employees where legislation permits, a savings-related scheme for all UK employees and senior executives' schemes in the UK and overseas.

The Remuneration Committee, which administers the senior executives' schemes, has resolved that options granted in or after December 1994 will only be exercisable if certain performance targets are met. The committee has initially set two targets, the achievement of either of which will in normal circumstances be a condition precedent to the exercise of the option. The first target will require the growth in the company's earnings per share, before exceptional items, over a period of three consecutive years to exceed the rate of price inflation over that period by at least 6 per cent. The second target requires the total shareholder return on a share in the company over a rolling period of three years to exceed the total shareholder return of the FT-SE Actuaries All Share Index over the same period.

The options held by the executive directors under the share option schemes are detailed below. In order to provide concise disclosure and to accord with the requirements of UITF 10, a weighted average exercise price for the options has been calculated, identified separately for those options where the exercise price exceeds the market price of the shares at the year end designated (i) and where the exercise price is below the market price of the shares at the year end designated (ii):

		At 1st April 1999	Senior executives' share options granted	SAYE share options granted	Lapsed during year	At 31st March 2000	Weighted average exercise price	Earliest date from which exercisable	Last expiry date
Paolo Scaroni	(i)	3,867,790	–	11,959	(3,558,193)	321,556	158.51p	20.11.1999	20.11.2006
Andrew Robb	(i)	517,722	42,781	11,959	(284,418)	288,044	155.98p	7.7.1993	14.6.2009
	(ii)	61,773	–	–	–	61,773	65.40p	1.12.2001	1.12.2008
Warren Knowlton	(i)	943,598	–	–	–	943,598	118.69p	16.7.2000	24.6.2008
		<u>5,390,883</u>	<u>42,781</u>	<u>23,918</u>	<u>(3,842,611)</u>	<u>1,614,971</u>	<u>131.23p</u>		
Analysis of total									
(i) Exercise price exceeds the market price at									
31st March 2000		5,329,110	42,781	23,918	(3,842,611)	1,553,198	133.85p		
(ii) Exercise price is below the market price at									
31st March 2000		61,773	–	–	–	61,773	65.40p		
		<u>5,390,883</u>	<u>42,781</u>	<u>23,918</u>	<u>(3,842,611)</u>	<u>1,614,971</u>	<u>131.23p</u>		

It should be noted that:

- Paolo Scaroni waived his entitlement to exercise options granted under the senior executives' share option scheme on 2nd June 1999 in respect of 3,550,000 shares which were exercisable in stages between three and six years after grant and subject to achievement of share price and earnings per share growth targets of 15 per cent per annum. Paolo Scaroni continues to be entitled to exercise options under the senior executives' share option scheme in respect of 309,597 shares. Also, 8,193 SAYE share options were cancelled during the year.
- Options were granted under the senior executives' share option schemes to Andrew Robb on 14th June 1999 at an exercise price of 93.5p per share.
- Options were granted under the savings-related share option scheme to Paolo Scaroni and Andrew Robb on 6th July 1999 at an exercise price of 81p per share.
- The market price of a share in the company at the close of business on 31st March 2000 was 73p (1999 – 82.5p) and the range during 1999/2000 was 63p to 118p (1999 – 50.5p to 148p).
- During the year, none of the executive directors exercised any of their share options under the SAYE and senior executive share option schemes.

Under the deferred bonus plan, certain executive directors and senior management are entitled to invest half or all of their performance-related bonus, after tax, in the company's shares which, if deposited with the trustees of the plan for a minimum period of three years, would be matched by the company. The plan matches the shares purchased on a two-for-one basis at the net level (equivalent to 1.2-for-one at the gross level). The company funds the trustees of the plan to enable them to purchase the matching shares at the same time as the participant purchases his shares.

Paolo Scaroni participated in the plan from 1999 on the above basis except that all his bonus before tax has to be used in connection with the acquisition of the company's shares and he does not have a cash alternative. Shares purchased by directors for the deferred bonus plan are included in the list of directors' shareholdings below. Warren Knowlton is not eligible to participate in this plan in respect of the bonus earned for 2000.

The following directors held options to acquire, at no additional cost, the following number of matching shares under the plan:

	Options held at 1st April 1999	Exercised during year	Granted during year	Options held at 31st March 2000
Paolo Scaroni	–	–	367,998	367,998
Andrew Robb	8,055	(8,055)	64,862	64,862
Warren Knowlton	–	–	61,824	61,824
	8,055	(8,055)	494,684	494,684

Options under the deferred bonus plan were exercised by Andrew Robb on 3rd August 1999 at a share price of 96p, giving rise to a gain of £7,733.

REPORT ON DIRECTORS' REMUNERATION

Service agreements

Each of the executive directors has a service agreement which is terminable by the company on giving not less than two years' notice. The Remuneration Committee has given careful consideration to the Combined Code on Corporate Governance which suggests that notice periods should not generally exceed one year. Following such consideration, it has been decided to honour the existing service agreements, which contain a two years' notice provision, but it is the intention that in future the notice period in the standard service agreement to be offered to any new executive director will be one year. Non-executive directors do not have service contracts.

Details of executive directors retiring by rotation and seeking re-election are referred to on page 4 of the Directors' Report.

External appointments

The committee believes that the company can benefit from its executive directors holding non-executive appointments and also believes that this represents a valuable opportunity in terms of personal and professional development. Such appointments are subject to the approval of the board and it is the company's practice that fees derived from one such appointment may be retained by the executive director concerned.

Non-executive directors' remuneration

The fees of the non-executive directors are determined by the board as a whole. They are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes.

Sir Nigel Rudd's remuneration amounted to £200,000 (1999 £200,000).

The other non-executive directors received a basic fee of £27,000 per annum (1999 £22,000). From April 1999 £5,000 of this basic fee has been applied on behalf of such non-executive directors in acquiring shares in the company.

The chairman of both the Audit and Remuneration Committees each received an additional fee of £5,000 per annum (1999 £3,000) in respect of their services as chairman of such committees.

Details of the remuneration paid to non-executive directors are as follows:

	2000			1999		
	Fees £000	Other benefits £000	Total £000	Fees £000	Other benefits £000	Total £000
Sir Nigel Rudd (Chairman)	200	–	200	200	–	200
Hans-Peter Keitel	27	–	27	22	–	22
William Harrison*	27	–	27	12	–	12
James Leng*	32	–	32	12	–	12
Oliver Stocken*	30	–	30	12	–	12
Sir Michael Quinlan**	11	–	11	25	–	25
John Macomber***	–	–	–	7	–	7
Lord Simpson****	3	–	3	25	–	25
	330	–	330	315	–	315

* Appointed 11th September 1998

** Retired 22nd July 1999

*** Retired 23rd July 1998

**** Retired 30th April 1999

At the instigation of the executive directors, in order to align the interests of the non-executive directors more closely with those of shareholders as a whole, the fees of the non-executive directors, will, in future, be determined as a fixed number of shares.

All non-executive directors will be paid exclusively in shares and will be required to hold such shares for a minimum period of four years (other than to the extent necessary to fund their tax liability on the receipt of the shares).

The number of shares awarded to each non-executive director will be reviewed annually in March, based on the average share price for the last ten business days of the fiscal year. For 2000/2001, the number of shares awarded each month to the chairman will be 28,584 and to the non-executive directors it will be 3,834. An additional monthly award of 750 shares will be made to the chairman of each committee.

Share interests

The interests of the directors (including holdings, if any, of each director's wife and children under 18) in the share capital of the company at 31st March were:

	2000	1999
Sir Nigel Rudd	625,234	556,250
Paolo Scaroni	400,000	400,000
Andrew Robb	186,700	146,214
Warren Knowlton	702,377	635,000
Hans-Peter Keitel	2,009	–
William Harrison	23,074	–
James Leng	5,480	1,682
Oliver Stocken	55,275	51,468

There have been no changes in directors' interests between 31st March 2000 and the announcement of the Group's results on 1st June 2000.

FINANCIAL REVIEW

Accounting policies

Two new financial reporting standards, issued by the Accounting Standards Board, have been introduced and are applicable to Pilkington's financial statements this year, namely FRS 15 on Tangible Fixed Assets and FRS 16 on Current Taxation. Neither materially affects the results for the year. In addition, as a result of the fall in inflation levels in South America, Pilkington has changed from making allowance for inflation in the reporting of the results of these businesses in accordance with UITF 9, such that they now report in their local South American currencies. Again, this change has not had a material effect on the Group's results for the year.

Acquisitions and divestments

An additional 18.6 per cent holding in Pilkington Sandoglass Sp.z o.o. in Poland was acquired during the year taking the Group's ownership to 75 per cent. The remaining two downstream processing and merchandising Building Products activities in Germany have now been sold. In addition, the Group has sold the majority of the Technical Products businesses principally in Germany, the UK and the USA to their management. The latter have been shown as discontinued operations in the 2000 results. The remaining Technical Products businesses have been transferred to Building Products with the exception of the Aerospace business, which is now shown in Automotive Products.

Year 2000 compliance

Ensuring Year 2000 compliance was a top business priority during the year. The Group implemented a worldwide programme to manage the risk that computer systems and equipment with embedded microprocessors were not Year 2000 compliant. The purpose of this programme was to mitigate the risk of computers or equipment malfunctioning at the Millennium change.

This programme proved successful and there were no disruptions to the business. There are no further costs to be incurred in the future.

Economic and monetary union in Europe

The Pilkington Group has a significant presence in the eurozone, with over one third of its sales being generated there. The Group is seeking every opportunity to use Economic and Monetary Union (EMU) as a lever to improve business efficiency, reduce costs and grow its market position.

The first business priority is to meet customer requirements as they pursue their own plans to adopt the euro. Our automotive original equipment (OE) customers have largely converted their purchasing requirements to the euro, and accordingly, the European automotive OE business is adopting that currency for accounting and sales purposes. Other businesses will follow as market requirements dictate.

The Group has decided that, during the transitional period of stage 3 of EMU, it will continue reporting its results in sterling. Continental European businesses will adopt the euro as their reporting currency from April 2001 at the latest. Group systems will be replaced or upgraded and staff trained to handle euro-denominated transactions.

In the short-term, the Group does not expect the costs or benefits from the introduction of the euro to have a material effect on trading performance.

On pages 54 and 55 of these financial statements, the Group sets out the results for 2000 and the previous year using the euro as the Group's reporting currency.

Group profit and loss account

Turnover from continuing operations in the Group at £2,382 million decreased slightly, due to business disposals. Building Products accounted for 49 per cent of turnover, Automotive Products 49 per cent and others 2 per cent.

Operating profits from continuing operations before exceptional items of £183 million increased 20 per cent on the previous year. Further benefits due to the cost saving from the substantial restructuring programmes in Automotive and Building Products resulted in flat and safety glass profits in Europe of £137 million, an increase of 27 per cent on 1999.

In North America, operating profits from continuing operations increased by 46 per cent from 1999.

Profits in the rest of the world of £26 million decreased by £11 million and were adversely affected by the continuing recession in South America, although Australasia reported a modest improvement on 1999's results.

Joint ventures and associates contributed £244 million to turnover and £51 million to operating profit. Turnover was largely unchanged from the previous year. The principal joint venture, Cebrace in Brazil, and the principal associate, Vitro Plan SA de CV in Mexico, reported similar results to last year. Shanghai Yaohua Pilkington became an associate from 12th January 2000 and, due to its accounting date being 31st December, no share of its results was included in these financial statements.

Exceptional items

Exceptional items totalled a charge of £123 million, of which £109 million represented redundancy and restructuring charges, principally in Building Products and Automotive Products in Europe and the USA, and £6 million related to the settlement of litigation. Non-operating exceptional items totalled £8 million and arose from the disposal of the Technical Products businesses and the sale of the residual Building Products businesses and related investments in Germany.

Investment income and interest

Interest payable less receivable, net of investment income, was £63 million, which has decreased from £79 million in the previous year.

Profit before taxation

Profit before taxation and all exceptional items of £175 million represented a 30 per cent increase on the reported result for 1999. In constant currency terms the profit before taxation and exceptional items was equivalent to £184 million, an increase of 36 per cent. The profit before taxation after exceptional items was £52 million (1999 £118 million). The tax charge for 2000 was £48 million on profits before exceptional items (1999 £42 million) and represented an effective tax rate of 27 per cent (1999 – 31 per cent).

Earnings and dividends

Profit attributable to minorities, before exceptional items, of £28 million increased by £6 million over 1999.

Earnings per share attributable to shareholders before exceptional items increased by 40 per cent to 9.1p from 6.5p in 1999, based on the average number of shares in issue of 1,093 million.

The directors have proposed a final dividend of 3.25p per share, making 5.0p for the year. Dividends are covered nearly twice by retained earnings before exceptional items.

Cash flow and investments

Operating profit before exceptional items, after adding back depreciation and goodwill amortisation, generated an inflow of £343 million, £29 million more than in 1999. The investment in working capital reduced by £19 million, as compared to an increase of £13 million in 1999. Exceptional restructuring cost £74 million of cash (1999 £98 million).

Cash flow from operations after exceptional costs totalled £271 million, an increase of £76 million from 1999. Details are shown in note 36 to the financial statements. Dividends received from joint ventures and associates of £9 million were £8 million lower than last year due to Vitro Plan's final dividend being received in 2000/2001.

FINANCIAL REVIEW

Returns on investments and servicing of finance were slightly lower at £71 million (1999 £79 million). Taxation paid of £15 million was £14 million less than last year.

Purchases of tangible fixed assets totalled £175 million (1999 £201 million). After taking account of assets acquired under finance leases, capital expenditure totalled £187 million (1999 £202 million). This includes £46 million on cold repairs of float glass plants in Sweden, Argentina and at Rossford in Ohio. More than £55 million of expenditure was directed to the European Automotive businesses.

Acquisitions of subsidiaries and investments cost £16 million, compared with £15 million last year. Proceeds from divestments of businesses and asset disposals totalled £61 million (1999 £54 million).

Net cash inflow before financing and dividends was £64 million, which compared to an outflow of £58 million last year.

Borrowings and shareholders' funds

Borrowings, net of cash and marketable investments, were £596 million at 31st March 2000, a decrease of £14 million. The net debt/total equity ratio was 59 per cent, an increase of 3 per cent on last year.

Shareholders' funds at 31st March 2000, including minority interests, were £1,008 million. The reconciliation of the movement in shareholders' funds, set out on page 23 of the financial statements, shows a net decrease of £75 million, of which £59 million arose from the loss attributable to shareholders and the dividend, including the net exceptional charge of £103 million, £26 million from exchange rate movements offset by £8 million from shares issued, and £2 million from goodwill written back.

Finance and liquidity

The Group finances its operations by a combination of cash generated by operations, bank loans, capital market debt issues, leases and issued share capital. Funding is raised and managed centrally by the Group Treasury function and lent to operating companies on commercial terms. The Group borrows in a range of currencies at both fixed and floating rates of interest, using derivatives where necessary to generate the required currency and interest rate profile.

Bank debt is principally in the form of committed facilities with a range of maturities from one year to seven years. These are unsecured with the exception of certain project loans. Capital market debt typically has longer maturities averaging ten years or more.

In addition, the Group obtains funding from securitisation programmes under which receivables are sold on a non-recourse basis to banks in the ordinary course of business. The Group is not obliged to support any losses on the non-recourse element of the receivables sold. At the end of March 2000 the total of receivables sold under these programmes was £105 million (1999 £102 million).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. At any one time the Group aims to maintain committed borrowing facilities prudently in excess of its estimated gross borrowing requirement. At the year end the Group had committed facilities of £914 million of which £545 million was drawn. It also has access to substantial lines of uncommitted and short-term facilities, which are used principally to manage day-to-day liquidity. Wherever practicable, pooling, netting or concentration techniques are employed to minimise gross debt. During the year, the Group successfully implemented a cash pooling system covering all the eurozone countries where the Group has a material presence.

In April 1999 the maturity profile of borrowings was extended through a \$250 million US private placement facility of senior unsecured fixed interest notes with an average life of approximately 11 years and a maximum maturity of 15 years; in December 1999 arrangements were successfully completed for a £260 million five year syndicated bank facility.

Treasury and hedging policies

Group Treasury operates within clearly defined policies and authority limits that are approved by the board. These policies cover liquidity, foreign exchange, interest rate and credit risk. The financial instruments used to manage interest rate, currency and liquidity risk are subject to board-approved operating parameters and under no circumstances will their use create additional financial exposures over and above those arising from the Group's normal trading activity. Use of derivative instruments is restricted to forward rate agreements, foreign currency and interest rate swaps. The board also approves a defined set of financing counterparties, all with agreed credit limits.

Currency and interest rate risk

The Group has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Under the Group's foreign exchange policy, such transaction exposures are hedged once they are known, mainly through the use of forward foreign exchange contracts.

The Group has significant investment in overseas operations, particularly in continental Europe, North America, South America and Australasia. As a result, the Group's sterling balance sheet can be significantly affected by movements in exchange rates.

The Group seeks to mitigate the effect of these exposures where possible by borrowing in the same currencies as the functional currencies of the main operating units and by using currency swaps to match the currency of some of its borrowings more closely in proportion to the spread of its assets. Details of all borrowings are provided in notes 25 and 26 to the financial statements.

At the end of March 2000, 18 per cent of the Group's borrowings were in sterling, 14 per cent in US dollars, 42 per cent in euros and 26 per cent in other currencies.

The Group uses interest rate swaps to maintain fixed interest rates on between 30 per cent and 70 per cent of total net debt. At 31st March 2000, 55 per cent of net borrowings were at fixed rates for an average period of nearly five years.

Financial resources

At 31st March 2000 the Group had available but undrawn committed borrowing facilities totalling £369 million of which £338 million have a maturity in excess of one year.

After making enquiries, the directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

ACCOUNTING POLICIES

The Group's financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets, in accordance with Accounting Standards applicable in the United Kingdom.

The Group has adopted the new financial reporting standards (FRS) numbers 15 (Tangible Fixed Assets) and 16 (Current Tax), which became applicable during the year. In addition, as a result of the fall in inflation levels in South America, the Group has ceased to make allowance for the impact of inflation on the local currency results in their translation from local currencies to sterling in accordance with UITF 9. Such companies now report in local South American currencies. The adoption by the Group of the new accounting standards referred to above has not had a material effect on the Group profit for the year.

A summary of the major Group accounting policies, which have been consistently applied, apart from the changes referred to above, is set out below.

1 Group consolidation

The Group's financial statements consolidate the results and financial position of Pilkington plc and all its subsidiary undertakings. Where appropriate, the financial statements of overseas subsidiary undertakings are adjusted to conform with the Group's accounting policies. Unrealised profits on intra-group transactions are eliminated on consolidation.

The results of subsidiary undertakings acquired during the year are included from the date that control of the undertaking passes to the Group.

The results of subsidiary undertakings are included up to the date that the undertaking ceases to be a subsidiary either through disposal or through a loss of control exercised over the company.

2 Goodwill

Any difference between the cost of acquisition of a subsidiary undertaking and the fair value of its separable net assets at acquisition is capitalised as goodwill. However, prior to 1st April 1995, all goodwill arising on acquisitions has been written off to reserves.

Where an acquired company is subsequently sold (and where goodwill has been previously written off to reserves and can be identified), the profit or loss on disposal is calculated by including goodwill in the profit and loss account for the year.

Goodwill carried in the balance sheet as an intangible asset is amortised, on a straight line basis, over periods not exceeding 20 years, such periods being chosen to reflect its useful expected life.

3 Foreign currencies

Assets and liabilities denominated in foreign currencies, including those of subsidiary undertakings, joint ventures and associates, are translated into sterling at year end exchange rates. The results and cash flows of overseas subsidiary undertakings, joint ventures and associates are translated into sterling at the average exchange rates ruling during the financial year.

The principal exchange rates used for translation of foreign currencies were as follows:

	2000		1999	
	Average	Year end	Average	Year end
US dollar	1.61	1.59	1.65	1.62
Australian dollar	2.50	2.63	2.66	2.55
Euro	1.56	1.66	1.46	1.49

Exchange differences arising on the translation of the net assets of overseas subsidiary undertakings, joint ventures and associates and on the translation of foreign currency borrowings used to finance overseas subsidiaries are taken to reserves. Other exchange differences are taken to the profit and loss account.

4 Financial derivatives

The Group uses cross currency swaps and fixed forward currency rate contracts to manage its exposure to foreign currency exchange risks and hedge its investments in overseas subsidiaries and investments designated in foreign currencies. Such financial instruments are treated as hedges against the underlying assets or liabilities, with matching accounting treatments and cash flows. All gains or losses are taken to the statement of total recognised gains and losses until the instrument and the underlying hedged investments are sold, when the profit or loss arising is taken to the profit and loss account as realised.

In addition, the Group uses interest rate swaps to manage the balance of its fixed and floating rate debt. The net interest income or expense on an interest rate swap is recognised as interest in the Group's profit and loss account over the life of the transaction.

Where there is a legal right of set-off between a deposit and a loan, the two are offset within the financial statements.

The Group excludes all short-term debtors and creditors from its derivatives and financial instrument disclosures (other than those on currency risk relating to monetary assets and liabilities).

5 Turnover

Group turnover is based on the invoiced value of sales, excluding VAT and other sales based taxes, and includes the proportion of the sales value of long-term contracts relevant to their state of completion. Group turnover includes sales by the Group to joint ventures and associates, but excludes sales by joint ventures and associates.

6 Deferred income

Regional development grants and other investment grants are taken to deferred income and are released to the profit and loss account in appropriate instalments relating to the type and nature of expenditure they are intended to fund.

7 Research and development

Revenue expenditure on research and development is charged against the profits of the year in which it is incurred.

Capital expenditure on research laboratories, equipment and plant is written off over its expected working life.

8 Retirement benefits

The pension cost relating to defined contribution schemes operating in the UK is the amount of the contribution payable in the respective financial year.

The pension cost relating to defined benefit schemes operating in the UK is assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans, which it is intended should remain at a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension costs are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans.

Retirement plans of non-UK subsidiaries are accounted for in accordance with local conditions and practice. These subsidiaries recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of qualified actuaries.

The policy in respect of the cost of providing healthcare benefits to retired employees, principally in the USA, accords with UITF 6, and is similar to that used to account for pension obligations. The annual charge to the profit and loss account is determined on a systematic basis over the service lives of employees in accordance with the advice of qualified actuaries.

ACCOUNTING POLICIES**9 Tangible fixed assets**

Tangible fixed assets are stated at historical cost or in the case of investment properties at valuation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Certain investment properties are revalued annually on an open market existing use basis by employees of the Group who are also qualified valuers.

In the case of businesses acquired by the Group as going concerns, the fair value attributed to the tangible fixed assets at the date of acquisition is treated as their cost to the Group.

Interest costs relating to major tangible fixed assets under construction are included in the cost of such assets and are depreciated as part of the total cost.

10 Depreciation of tangible fixed assets

Freehold land is not depreciated.

Depreciation is charged on all other categories of tangible fixed assets so as to write off the cost by equal annual instalments over the expected lives of the assets, such depreciation commencing at the start of the half year after the asset is commissioned. The average asset lives used under this policy approximate to 40 years for freehold and long leasehold buildings and 15 years for plant and machinery. Short leasehold buildings are depreciated over the life of the lease.

11 Leases

Assets held under finance leases are included in tangible fixed assets at cost and are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

Rentals under operating leases are charged to the profit and loss account as incurred.

12 Subsidiary undertakings

The parent company carries its investments in subsidiary undertakings at historical cost less any impairment.

13 Joint ventures and associates

The Group treats investments in undertakings which are jointly controlled as joint ventures. Investments in undertakings where the Group has a participating interest, where the investment is held for the long-term and where the Group exercises significant influence, are treated as associates.

The Group's share of turnover and the component elements of the profit and loss account are disclosed separately for both joint ventures and associates in the Group's profit and loss account.

Joint ventures are disclosed using the gross equity method under which the aggregate gross assets and gross liabilities underlying the net amount included for the investment are disclosed on the balance sheet.

Joint ventures and associates are accounted for on the basis of accounts prepared to an accounting date not more than three months prior to the Group's year end.

14 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and works overhead expenditure incurred in bringing goods to their current state under normal operating conditions.

15 Deferred taxation

Deferred taxation is provided on the liability method at current or expected future rates of tax in respect of:

- (i) timing differences between profits as computed for tax purposes and profits as stated in the financial statements; and
- (ii) other timing differences;

to the extent that, in the opinion of the directors, the potential tax liability or asset will become payable or recovery made in the foreseeable future.

A deferred tax asset is fully recognised in respect of the post-retirement healthcare benefits.

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000

	Note	2000			1999		
		Operations £m	Exceptionals (Note 7) £m	Total £m	Operations £m	Exceptionals (Note 7) £m	Total £m
Turnover							
Group turnover – continuing	1	2,382	–	2,382	2,385	–	2,385
Group turnover – discontinued	2	81	–	81	84	–	84
Group turnover – total		2,463	–	2,463	2,469	–	2,469
Share of joint ventures' and associates' turnover – continuing	4	244	–	244	240	–	240
Turnover including joint ventures and associates		2,707	–	2,707	2,709	–	2,709
Operating profit/(loss)							
Group – continuing	1	183	(114)	69	153	(14)	139
Group – discontinued	2	4	(1)	3	7	–	7
Group operating profit – total		187	(115)	72	160	(14)	146
Share of joint ventures' and associates' operating profit	4	51	–	51	54	(4)	50
Operating profit including joint ventures and associates		238	(115)	123	214	(18)	196
Non-operating exceptional items	7						
Loss on disposal of continuing operations:							
Loss on disposal			(20)	(20)		(49)	(49)
Previous provision utilised			19	19		50	50
			(1)	(1)		1	1
Loss on disposal of discontinued operations			(3)	(3)		–	–
Loss on disposal of fixed assets and investments in continuing operations			(4)	(4)		–	–
		–	(8)	(8)	–	1	1
Profit before investment income and interest		238	(123)	115	214	(17)	197
Investment income	9	1	–	1	1	–	1
Net interest payable and similar charges	10	(64)	–	(64)	(80)	–	(80)
Profit/(loss) on ordinary activities before taxation		175	(123)	52	135	(17)	118
Taxation	11	(48)	3	(45)	(42)	–	(42)
Profit/(loss) after taxation		127	(120)	7	93	(17)	76
Minority interests	12	(28)	17	(11)	(22)	–	(22)
Profit/(loss) attributable to shareholders		99	(103)	(4)	71	(17)	54
Dividends	13	(55)	–	(55)	(55)	–	(55)
Retained profit/(loss) of the Group	34	44	(103)	(59)	16	(17)	(1)
Earnings/(loss) per share	14	9.1p	(9.5p)	(0.4p)	6.5p	(1.5p)	5.0p
Fully diluted earnings/(loss) per share	14	9.0p	(9.4p)	(0.4p)	6.5p	(1.5p)	5.0p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST MARCH 2000

	2000 £m	1999 £m
(Loss)/profit attributable to shareholders of Pilkington plc	(4)	54
Other recognised (losses)/gains		
Exchange rate movements on foreign currency net investments:		
– subsidiaries	(40)	23
– joint ventures	–	3
– associates	14	1
Total other recognised (losses)/gains	(26)	27
Total recognised (losses)/gains relating to the year	(30)	81

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31ST MARCH 2000

There were no material differences between the reported profit on ordinary activities before taxation and the retained loss and their historical cost equivalents for the year. Similarly, there were no such differences in respect of 1999.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31ST MARCH 2000

	Note	2000 £m	1999 £m
(Loss)/profit attributable to shareholders of Pilkington plc		(4)	54
Dividends	13	(55)	(55)
Exchange rate movements on foreign currency net investments	34	(26)	27
Goodwill written back	7	2	–
Shares issued	33	4	25
Premium on shares issued	34	4	31
Net (decrease)/increase in shareholders' funds for the year		(75)	82
Shareholders' funds at beginning of the year		742	660
Shareholders' funds at end of the year		667	742

BALANCE SHEETS AS AT 31ST MARCH 2000

	Note	2000		1999	
		Group £m	Company £m	Group £m	Company £m
ASSETS EMPLOYED					
Fixed assets					
Intangible fixed assets	15	91	–	103	–
Tangible fixed assets	16	1,508	5	1,601	6
Investments – subsidiary undertakings	17	–	1,064	–	1,102
Investments – joint ventures:	18				
– share of gross assets		113	–	119	–
– share of gross liabilities		(28)	–	(35)	–
		85	–	84	–
Investments – associates	19	125	–	84	–
Investments – trade	20	15	1	29	–
Total fixed assets		1,824	1,070	1,901	1,108
Current assets					
Stocks	21	347	–	375	–
Debtors – amounts falling due within one year	22	351	47	390	34
– trade debtors subject to factoring arrangements	22	105	–	102	–
– less non-returnable amounts received	22	(83)	–	(83)	–
– total debtors falling due within one year	22	373	47	409	34
Debtors – amounts falling due after more than one year	23	76	1	91	–
Debtors – total		449	48	500	34
Investments – marketable	24	17	6	16	5
Cash at bank and in hand		49	4	97	–
		862	58	988	39
Creditors – amounts falling due within one year	25	714	47	729	64
Net current assets/(liabilities)		148	11	259	(25)
Total assets less current liabilities		1,972	1,081	2,160	1,083
FINANCED BY					
Creditors – amounts falling due after more than one year	26	465	–	526	–
Provisions for liabilities and charges	29	480	12	516	19
		945	12	1,042	19
Deferred income	31	19	9	21	12
Capital and reserves					
Called up share capital	33	550	550	546	546
Share premium account	34	4	4	–	–
Revaluation reserve	34	206	–	188	–
Other reserves (including special reserve)	34	190	370	286	374
Profit and loss account	34	(283)	136	(278)	132
Total equity shareholders' funds		667	1,060	742	1,052
Minority interests – equity	35	122	–	136	–
– non-equity	35	219	–	219	–
		341	–	355	–
		1,972	1,081	2,160	1,083

The financial statements on pages 18 to 52 were approved by the directors on 1st June 2000.

Directors: Sir Nigel Rudd, A. M. Robb.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2000

	Note	2000 £m	2000 £m	1999 £m	1999 £m
Net cash inflow from operating activities before exceptional costs	36		345		293
Exceptional costs – restructuring and disposal of operations			(74)		(98)
Net cash inflow from operating activities			271		195
Dividends received from joint ventures			3		1
Dividends received from associates			6		16
Returns on investments and servicing of finance					
Interest – paid (excluding finance leases)		(56)		(61)	
– paid (finance leases)		(4)		(5)	
– received		7		7	
Dividends – received from other investments		1		1	
– paid to minority shareholders		(19)		(21)	
Net cash outflow from returns on investments and servicing of finance			(71)		(79)
Taxation paid			(15)		(29)
Capital expenditure					
Purchase of tangible fixed assets		(175)		(201)	
Disposals of tangible fixed assets		21		21	
Net cash outflow from capital expenditure			(154)		(180)
			40		(76)
Acquisitions and disposals					
Purchase of – subsidiary undertakings	37	(10)		(9)	
– joint ventures, associates and other investments	37	(6)		(6)	
Disposal of – subsidiary undertakings	37	46		29	
– net cash with subsidiary undertakings	37	(7)		–	
– joint ventures, associates and other investments	37	1		4	
Net cash inflow from acquisitions and disposals			24		18
Net cash inflow/(outflow) before dividends, management of liquid resources and financing			64		(58)
Equity dividends paid by parent company			(65)		(35)
Management of liquid resources – short term deposits	38		(1)		16
Financing					
Issue of Pilkington plc ordinary shares		–		56	
New loans taken out	38	181		164	
Loans repaid	38	(185)		(177)	
Finance leases repaid	38	(10)		(11)	
Net cash (outflow)/inflow from financing			(14)		32
Decrease in cash			(16)		(45)

CASH FLOWS OF SUBSIDIARIES AND BUSINESSES DISCONTINUED DURING THE YEAR

	2000 £m	1999 £m
Net cash inflow from operating activities	10	8
Net cash outflow from returns on investments and servicing of finance	(1)	(3)
Taxation paid	(1)	–
Net cash outflow from capital expenditure and financial investment	–	(4)
Net cash outflow from acquisitions and disposals	(4)	–
Net cash outflow from financing	(4)	–
Increase in cash	–	1

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2000

	2000			1999		
	Turnover	Profit/(loss)	Net operating assets/(liabilities)	Turnover	Profit/(loss)	Net operating assets/(liabilities)
	£m	£m	£m	Restated £m	Restated £m	Restated £m
1 Segmental analysis of the Group's continuing operations						
Building products	1,165	135	806	1,222	115	825
Automotive products	1,166	63	609	1,145	54	691
Group operations and technology management	51	(15)	2	18	(16)	(8)
	2,382		1,417	2,385		1,508
Group pre-exceptional operating profit		183			153	
Share of joint ventures' and associates' pre-exceptional operating profit (note 4)		51			54	
Exceptional items charged against operating profit (note 7)						
– Group		(114)			(14)	
– Share of joint ventures and associates		-			(4)	
Operating profit including joint ventures and associates		120			189	
Non-operating exceptional items (note 7)		(5)			1	
Investment income		1			1	
Net interest payable		(64)			(80)	
Profit on ordinary activities before taxation		52			111	

Geographical analysis of turnover, operating profit/(loss) and net operating assets/(liabilities)

Europe	1,385	137	891	1,415	108	915
North America	639	35	171	619	24	239
Rest of the World	307	26	353	333	37	362
Group operations and technology management	51	(15)	2	18	(16)	(8)
	2,382	183	1,417	2,385	153	1,508

The 1999 figures have been restated to reflect the sale of the majority of the Technical Products businesses which are now shown as discontinued operations in note 2. The remaining Technical Products businesses are not sufficiently material to warrant disclosure as a separate business segment and, in line with management reporting, these businesses are included within the results of Building Products, with the exception of the Aerospace business, which is included within Automotive Products. In addition, corporate costs in 1999 have been re-analysed to accord with the basis used for management reporting in 2000.

Turnover derived from transactions between Building Products and Automotive Products amounted to £118 million in 2000 (1999 £76 million) and between Automotive Products and Building Products amounted to £1 million (1999 £5 million). Other inter-segmental turnover is not material.

Net operating assets are analysed in note 6.

	2000			1999		
	Turnover	Profit/(loss)	Net operating assets	Turnover	Profit	Net operating assets
	£m	£m	£m	£m	£m	£m
2 Segmental analysis of the Group's discontinued operations						
Technical products	81		–	84		46
Group pre-exceptional operating profit		4			7	
Exceptional items charged against Group operating profit (note 7)		(1)			–	
Operating profit including joint ventures and associates		3			7	
Non-operating exceptional items (note 7)		(3)			–	
Profit on ordinary activities before taxation		–			7	
Geographical analysis of turnover, operating profit and net operating assets						
Europe	70	2	–	74	6	38
North America	11	2	–	10	1	8
	81	4	–	84	7	46

As referred to in note 1, the discontinued operations comprise those Technical Products businesses sold to the management of those businesses in the year, principally Flabeg GmbH, SMA Regelsysteme GmbH, Pilkington Solar International GmbH, Pilkington Technical Mirrors (UK) Ltd and Pilkington Technical Mirror Corporation. The loss on sale is referred to in exceptional items (note 7).

Turnover derived from transactions between Building Products and Technical Products amounted to £5 million in 2000 (1999 £7 million).

3 Acquisitions

The principal acquisition in 2000 relates to an increase in the Group's percentage holding in Pilkington Sandoglass Sp.z o.o. of 18.6% to 75% on 2nd March 2000 and as such the results are already consolidated.

The acquisitions in 1999 related to increased shareholdings in Pilkington Sverige AB and Pilkington IGP SA.

Further details regarding acquisitions made in the year are disclosed in note 37.

	2000			1999		
	Turnover	Operating profit	Net assets	Turnover	Operating profit	Net assets
	£m	£m	£m	Restated £m	Restated £m	Restated £m
4 Segmental analysis of the Group's share of joint ventures and associates						
Joint ventures						
Building products	41	13	78	41	13	76
Automotive products	7	–	7	7	–	8
	48	13	85	48	13	84
Europe	5	–	6	6	–	7
North America	2	–	1	2	–	1
Rest of the World	41	13	78	40	13	76
	48	13	85	48	13	84
Associates						
Building products	88	21	89	90	23	55
Automotive products	108	17	36	102	18	29
	196	38	125	192	41	84
North America	195	38	98	192	41	77
Rest of the World	1	–	27	–	–	7
	196	38	125	192	41	84
Total joint ventures and associates	244	51	210	240	54	168

The 1999 figures have been restated to reflect the transfer of SDC Technologies Inc, which was previously included as a Technical Products joint venture, into Automotive Products.

NOTES ON THE FINANCIAL STATEMENTS

5 Geographical analysis of the Group's turnover by markets	2000				1999			
	Continuing		Discontinued		Continuing		Discontinued	
	£m	%	£m	%	£m	%	£m	%
Europe – EU	1,235	52	61	75	1,257	53	66	79
– Non EU	164	7	4	5	125	5	4	5
North America	636	27	13	16	620	26	12	14
Australasia	144	6	3	4	141	6	2	2
South America	151	6	–	–	187	8	–	–
Rest of the World	52	2	–	–	55	2	–	–
	2,382	100	81	100	2,385	100	84	100

This analysis of turnover shows the markets in which the Group's products are sold, whereas the regional analysis in notes 1 and 2 relates to the domicile of the Group undertakings making the sales.

6 Net operating assets	2000		1999	
	Continuing £m	Discontinued £m	Continuing £m	Discontinued £m
The net operating assets referred to in notes 1 and 2 comprise the following:				
Intangible fixed assets	91		100	3
Tangible fixed assets	1,508		1,565	36
Stocks	347		363	12
Debtors – falling due within one year	359		379	13
Debtors – falling due after more than one year	22		37	–
Creditors – falling due within one year	(428)		(423)	(11)
Creditors – falling due after more than one year	(4)		(5)	–
Provisions	(478)		(508)	(7)
	1,417		1,508	46

Creditors exclude loans and overdrafts, taxation on profits, finance leases and dividends. Debtors exclude taxation and deferred taxation recoverable. Provisions include post-retirement healthcare benefits but exclude deferred taxation.

7 Exceptional items	2000			1999
	Continuing £m	Discontinued £m	Total £m	Continuing £m
Operating exceptional items				
Redundancy and restructuring costs charged to operating profit (Group companies)	(108)	(1)	(109)	(4)
Litigation costs	(6)	–	(6)	–
Redundancy costs charged to operating profit (Joint ventures)	–	–	–	(4)
Effect of the Brazilian devaluation charged to operating profit	–	–	–	(10)
Total charged to operating profit	(114)	(1)	(115)	(18)
Non-operating exceptional items				
Loss on disposal of fixed assets and investments (net)	(4)	–	(4)	–
(Loss)/profit on disposal/termination of operations:				
Continuing operations	(1)	–	(1)	1
Discontinued operations	–	(1)	(1)	–
Goodwill written back	–	(2)	(2)	–
	(1)	(3)	(4)	1
Total non-operating exceptional items	(5)	(3)	(8)	1
Taxation (note 11)			3	–
Attributable to minority interests			17	–
			(103)	(17)

The taxation credit and the amount attributable to minorities relate to operating exceptional items in continuing operations.

7 Exceptional items <small>continued</small>	2000			1999
	Continuing £m	Discontinued £m	Total £m	Continuing £m
Operating exceptional items – segmental and geographical analysis				
Building products	(24)	–	(24)	(12)
Automotive products	(81)	–	(81)	(6)
Technical products	–	(1)	(1)	–
Group operations and technology management	(9)	–	(9)	–
	(114)	(1)	(115)	(18)
Europe	(31)	(1)	(32)	–
North America	(71)	–	(71)	–
Rest of the World	(3)	–	(3)	(18)
Group operations and technology management	(9)	–	(9)	–
	(114)	(1)	(115)	(18)

In 2000, charges were made against the Group's operating profit in continuing operations of £46 million in respect of redundancy costs, £36 million in respect of provisions against fixed and current assets, £6 million in respect of litigation and £26 million in respect of other restructuring costs. A charge of £1 million in discontinued operations related to redundancy costs.

In 1999, charges were made against the Group's operating profit of £10 million arising from the effect of the Brazilian devaluation and £4 million in respect of redundancy costs incurred. A further £4 million was charged against operating profits of joint ventures arising from the effect of the Brazilian devaluation.

	2000			1999
	Continuing £m	Discontinued £m	Total £m	Continuing £m
Non-operating exceptional items – segmental and geographical analysis				
Building products	(5)	–	(5)	1
Technical products	–	(3)	(3)	–
	(5)	(3)	(8)	1
Europe	(5)	(5)	(10)	1
North America	–	2	2	–
	(5)	(3)	(8)	1

In 2000, the loss on disposal and termination of operations in continuing operations arose from the disposal of the remaining German downstream Building Products businesses and related investments and in discontinued operations related to the sale of the Technical Products businesses referred to in note 2.

In 1999, the profit on disposal and termination of operations included a profit of £2 million on the sale of a German subsidiary, less the write-off of the goodwill intangible asset of £1 million, arising on the termination of a business in Denmark.

NOTES ON THE FINANCIAL STATEMENTS

8 Statutory information	2000			1999		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	2,382	81	2,463	2,385	84	2,469
Cost of sales	(1,817)	(67)	(1,884)	(1,739)	(62)	(1,801)
Gross profit	565	14	579	646	22	668
Net operating expenses:						
Distribution costs	(214)	(4)	(218)	(198)	(6)	(204)
Administrative expenses	(282)	(7)	(289)	(309)	(9)	(318)
Operating profit after exceptional items charged against operating profit	69	3	72	139	7	146

The 2000 figures for continuing operations include £114 million (1999 £14 million) and for discontinued operations include £1 million of exceptional items charged against cost of sales, as detailed in note 7.

	2000 £m	1999 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – normal	149	148
– exceptional	32	–
Amortisation of intangible fixed assets	7	6
Net profit on disposal of tangible fixed assets	(1)	(4)
Operating lease costs – plant and machinery	28	24
– property	22	21
Total research and development expenditure	37	39
– financed directly by customers	(2)	(3)
'Year 2000' computer software modification costs	2	3
Costs incurred in respect of the introduction of the euro	–	2
Auditors' remuneration:		
Audit – PricewaterhouseCoopers (Audit of the company £165,000 (1999 £183,000))	1	2
Other services – PricewaterhouseCoopers, relating principally to taxation, and the disposal of the Technical Products businesses. These costs were split into £1,145,000 incurred in the UK and £1,233,000 incurred outside the UK.	2	1

9 Investment income	2000 £m	1999 £m
Listed marketable investments	1	1
10 Net interest payable and similar charges	2000 £m	1999 £m
Interest payable on bank loans and overdrafts	18	32
Interest payable on other loans	35	27
Interest payable on finance leases	4	5
Less interest receivable	(6)	(8)
	51	56
Other interest and similar charges	7	12
Share of joint ventures' interest	1	(2)
Share of associates' interest and similar charges	5	14
	64	80

Interest payable includes the results of financial instruments used to manage the interest rate exposure.

11 Taxation

	2000 £m	1999 £m
Profit and loss account		
The taxation charge in the Group profit and loss account comprises:		
UK corporation tax at 30% (1999 – 31%)	–	32
Less double taxation relief	–	(32)
	–	–
Overseas taxation	29	32
Deferred taxation	2	1
Advance corporation tax written back	–	(1)
	31	32
Over provision in respect of prior years	(2)	(2)
	29	30
Share of joint ventures' taxation	6	2
Share of associates' taxation	10	10
	45	42

The tax charge includes a credit of £3 million in respect of tax on exceptional items (1999 nil) (note 7).

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
Balance sheets				
Assets (notes 22 and 23)				
Debtors – amounts falling due within one year				
Advance corporation tax recoverable	–	–	5	5
Overseas tax recoverable	14	–	12	–
	14	–	17	5
Debtors – amounts falling due after more than one year				
Deferred taxation on post-retirement healthcare benefits	54	–	54	–
Liabilities (note 25)				
UK corporation tax	7	–	7	–
Overseas taxation	42	–	33	–
	49	–	40	–

No provision has been made for additional taxation which would arise on the distribution of profits retained by overseas subsidiary undertakings, joint ventures or associates.

At 31st March 2000 certain UK and overseas subsidiary undertakings have accumulated tax losses estimated at £355 million (1999 £361 million) which are available for offset against future taxable profits in those companies. Advance corporation tax written off to date amounts to £26 million (1999 £26 million). The future benefit of these losses and advance corporation tax has not been accounted for in the provision for deferred taxation (note 30).

The taxation charge to profits for the year arising from deferred taxation, calculated on a full liability basis, would amount to £4 million (1999 credit £28 million).

12 Minority interests (profit and loss account)

	2000 £m	1999 £m
Equity	(5)	6
Non-equity	16	16
	11	22

NOTES ON THE FINANCIAL STATEMENTS

13 Dividends	Net paid/payable per ordinary share		Net paid/payable	
	2000 pence	1999 pence	2000 £m	1999 £m
Equity shares:				
Interim paid on 11th February 2000	1.75	1.75	19	19
Final payable on 11th August 2000	3.25	3.25	36	36
	5.00	5.00	55	55

14 Earnings per share	2000	1999
Average number of shares for basic earnings per share calculation	1,093m	1,083m
Average number of shares for fully diluted earnings per share calculation	1,104m	1,088m
	£m	£m
(Loss)/profit for the financial year attributable to shareholders of Pilkington plc	(4)	54
Add exceptional items (note 7)	103	17
Profit for the financial year attributable to shareholders of Pilkington plc after adjusting for exceptional items	99	71
	pence	pence
(Loss)/earnings per share	(0.4)	5.0
Fully diluted (loss)/earnings per share	(0.4)	5.0
Adjusted earnings per share excluding exceptional items	9.1	6.5
Fully diluted adjusted earnings per share excluding exceptional items	9.0	6.5

The fully diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the dilution arising from the exercise of share options where the exercise price is less than the average market price of the company's ordinary shares during the year.

The adjusted earnings per share are disclosed as an alternative figure for (loss)/earnings per share. This measurement of earnings per share is considered by the directors to be a more meaningful indication of the Group's underlying performance.

15 Intangible fixed assets	Negative goodwill - associate (note 19) £m	Positive goodwill - subsidiary undertakings £m
At cost		
At beginning of the year	-	118
Exchange rate adjustments	-	(11)
Additions	(8)	6
Disposals	-	(3)
At end of the year	(8)	110
Accumulated amortisation		
At beginning of the year	-	15
Exchange rate adjustments	-	(2)
Amortisation for the year	-	7
Disposals	-	(1)
At end of the year	-	19
Written down value at beginning of the year	-	103
Written down value at end of the year (per balance sheet)		91
Written down value at end of the year (note 19)	(8)	

The goodwill arising on the acquisitions in the year, principally arising from the acquisition of a further 18.6% holding in Pilkington Sandoglass Sp.z o.o., is being amortised on a straight line basis over 10 years in line with the amortisation period of the original goodwill. The negative goodwill arising on the additional shareholding in Shanghai Yaohua Pilkington Glass Co Limited will be amortised over 10 years.

16 Tangible fixed assets

	Group			Company		
	Land and buildings £m	Plant, machinery and vehicles £m	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
At cost or valuation						
At beginning of the year	800	2,345	3,145	6	5	11
Exchange rate adjustments	(41)	(78)	(119)	–	–	–
Changes in composition of the Group	(6)	(68)	(74)	–	–	–
Additions during the year	9	185	194	–	–	–
Assets sold or scrapped during the year	(33)	(106)	(139)	–	–	–
At end of the year	729	2,278	3,007	6	5	11
Accumulated depreciation						
At beginning of the year	346	1,198	1,544	1	4	5
Exchange rate adjustments	(23)	(43)	(66)	–	–	–
Changes in composition of the Group	(2)	(39)	(41)	–	–	–
Depreciation for the year	21	160	181	–	1	1
Assets sold or scrapped during the year	(18)	(101)	(119)	–	–	–
At end of the year	324	1,175	1,499	1	5	6
Written down value at beginning of the year	454	1,147	1,601	5	1	6
Written down value at end of the year	405	1,103	1,508	5	–	5
Cost or valuation at 31st March 2000 represented by:						
Valuations in 1999/2000	2	–	2	–	–	–
Cost	727	2,278	3,005	6	5	11
	729	2,278	3,007	6	5	11
Land and buildings at net book value comprise:						
Freehold	388			5		
Long leasehold	3			–		
Short leasehold	14			–		
	405			5		

Tangible fixed assets include the cost of assets in the course of construction and payments on account amounting to £8 million (1999 £40 million).

Plant, machinery and vehicles include items acquired under finance leases comprising cost of £106 million (1999 £106 million), accumulated depreciation of £45 million (1999 £45 million) and written down value of £61 million (1999 £61 million). Depreciation charged in the year on these assets amounted to £7 million (1999 £7 million).

If the revalued tangible fixed assets, totalling a net book value of £2 million (1999 £3 million), all of which were revalued in 2000 by officers of the companies owning the assets, had been accounted for on an historical cost basis, their historical cost would have been £2 million (1999 £3 million), accumulated depreciation nil (1999 nil) and written down value at 31st March 2000 £2 million (1999 £3 million). These figures exclude the fixed assets of the South American businesses, which in previous years have been adjusted to account for inflation.

Interest capitalised in 1999 and 2000 was nil. The cumulative interest capitalised and included in the cost of tangible fixed assets amounts to £12 million.

Additions during the year to tangible fixed assets are analysed into the following business lines:

	2000 £m	1999 £m
Building products	101	51
Automotive products	72	130
Technical products - discontinued operations in 2000	5	5
Group operations and technology management	16	7
	194	193

NOTES ON THE FINANCIAL STATEMENTS

17 Investments – subsidiary undertakings (company)	Shares £m	Loans £m	Total £m
Cost			
At beginning of the year	538	564	1,102
Additions	–	1	1
Loans repaid	–	(38)	(38)
Amounts written off in the year	–	(1)	(1)
At end of the year	<u>538</u>	<u>526</u>	<u>1,064</u>

Principal subsidiary undertakings are listed on page 52.

18 Investments – joint ventures	2000 Group £m	1999 Group £m
Cost or valuation		
At beginning of the year	46	44
Exchange rate adjustments	(1)	2
	<u>45</u>	<u>46</u>
Share of post-acquisition profits less losses		
At beginning of the year	38	31
Exchange rate adjustments	1	1
Retained profits	1	6
	<u>40</u>	<u>38</u>
At end of the year	<u>85</u>	<u>84</u>

The Group's principal joint ventures are as follows:

	Proportion of issued shares held	Accounting date	Activity	Country of operation and incorporation
Cebrace Cristal Plano Limitada (Cebrace)	50%	31.3.2000	Glass manufacturing	Brazil
Flovetto SpA	50%	31.12.1999	Glass manufacturing	Italy

In addition, there are a further three joint ventures at 31st March 2000.

No significant additional taxation would be payable if the joint ventures were sold at the carrying value.

At 31st March 2000 the share of profits less losses retained by joint ventures included within the Group's profit and loss account balance amounted to £40 million (1999 £38 million) of which £8 million (1999 £5 million) is considered to be distributable, the remainder being subject to restriction within the countries in which the joint ventures operate.

The Group's share of net assets of joint ventures comprises:

	2000 £m	1999 £m
Fixed assets	93	99
Current assets	20	20
Liabilities due within one year	(12)	(20)
Liabilities due after more than one year	(16)	(15)
	<u>85</u>	<u>84</u>

18 Investments – joint ventures *continued*

Additional disclosures are given in respect of the Group's share of Cebrace which exceeds certain thresholds under FRS 9, as follows:

	2000 £m	1999 £m
Turnover	41	40
Profit before taxation	11	10
Taxation	(6)	(2)
Profit after taxation	5	8
Fixed assets	88	94
Current assets	15	13
Liabilities due within one year	(10)	(17)
Liabilities due after more than one year	(15)	(14)
Net assets	78	76

19 Investments – associates

	2000 Group £m	1999 Group £m
Cost or valuation		
At beginning of the year	82	76
Exchange rate adjustments	14	2
Additions	12	4
Transfer from trade investments	8	–
	116	82
Share of post-acquisition profits less losses		
At beginning of the year	2	2
Exchange rate adjustments	–	(1)
Retained profits less losses	15	1
	17	2
Goodwill (note 15)		
At beginning of the year	–	–
Addition	(8)	–
	(8)	–
At end of the year	125	84

NOTES ON THE FINANCIAL STATEMENTS

19 Investments – associates *continued*

The Group's principal associates are as follows:

	Proportion of issued shares held	Accounting date	Activity	Country of operation and incorporation
Vitro Plan SA de CV+	35%	31.12.99	Glass manufacturing and processing	Mexico
Shanghai Yaohua Pilkington Glass Co Limited+	17%	31.12.99	Glass manufacturing	China
Wuhan Yaohua Pilkington Safety Glass Limited+	46%	31.12.99	Glass processing	China
Holding Concorde SA+	49%	31.12.99	Glass manufacturing	Colombia

+Audited by a firm other than PricewaterhouseCoopers.

Pilkington acquired an additional 9% holding in Shanghai Yaohua Pilkington Glass Co Limited (SYP) on 12th January 2000, the previous investment having been included as a trade investment. The acquisition gave rise to negative goodwill (note 15) and in accordance with FRS 9 this is offset against the carrying value of associates.

SYP is quoted on the Shanghai Stock Exchange. The market value of the Group's 17% holding amounts to £10 million. In 1999, this investment was represented by a holding of 8% and its market value at 31st March 1999 was £2 million.

No additional taxation would be payable if the investments were sold at the carrying value.

At 31st March 2000, the share of profits less losses retained by associates included within the Group's profit and loss account balance amounted to £17 million (1999 £2 million) of which £21 million of the profits (1999 £4 million) are considered to be distributable.

The Group's share of net assets of associates comprises:

	2000 £m	1999 £m
Fixed assets	150	122
Current assets	68	50
Liabilities due within one year	(44)	(43)
Liabilities due after more than one year	(49)	(45)
	125	84

Additional disclosures are given in respect of the Group's share of Vitro Plan SA de CV which exceeds certain thresholds under FRS 9, as follows:

	2000 £m	1999 £m
Turnover	195	192
Profit before taxation	33	28
Taxation	(10)	(10)
Profit after taxation	23	18
Fixed assets	128	115
Current assets	62	50
Liabilities due within one year	(43)	(43)
Liabilities due after more than one year	(49)	(45)
Net assets	98	77

	2000		1999
	Group £m	Company £m	Group £m
20 Investments – trade investments			
Cost			
At beginning of the year	29	–	29
Exchange rate adjustments	(3)	–	2
Additions	2	1	2
Disposals	(4)	–	(4)
Amounts written off	(1)	–	–
Transfer to associates	(8)	–	–
At end of the year	15	1	29
Trade investments at end of the year			
Listed investments at cost	3	1	12
Unlisted investments at cost	12	–	17
	15	1	29

No additional taxation would be payable if the investments were sold at the carrying value.

Listed investments include 3,776,483 (1999 – 2,338,377) shares in Pilkington plc held by an employee trust under the share option and deferred bonus plan of which 2,776,483 are accounted for by a subsidiary company and 1,000,000 are accounted for by Pilkington plc.

The cost of these shares is being written off over three years. The market value of these shares at 31st March 2000 was £3 million (1999 £2 million), of which £1 million is recorded in Pilkington plc.

	2000 Group £m	1999 Group £m
21 Stocks		
Raw materials	68	72
Stores	33	32
Work in progress	38	44
Finished goods	208	227
	347	375

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
22 Debtors – amounts falling due within one year				
Trade debtors	273	–	296	–
Amounts owed by – Group undertakings	–	45	–	27
– Joint ventures	4	–	12	–
Other debtors	46	2	52	2
Advance corporation tax recoverable	–	–	5	5
Overseas tax recoverable	14	–	12	–
Prepayments and accrued income	14	–	13	–
	351	47	390	34
Trade debtors subject to factoring arrangements	105	–	102	–
Less non-returnable amounts received	(83)	–	(83)	–
Total debtors falling due within one year	373	47	409	34

Certain trade debtors, subject to factoring arrangements, are discounted, whereby 75% or 90% of the outstanding balance is discounted without recourse by banks in the ordinary course of business. The non-returnable amount of the factoring arrangement is deducted from the trade debtors concerned.

The directors report that the Group is not obliged to support any losses on the portion of the debt factored, nor does it intend to do so, and the relevant banks have confirmed their agreement to this position in writing.

The factoring charge in the year, in respect of the above transactions, amounted to £5 million (1999 £4 million) and is included in other interest and similar charges in note 10.

NOTES ON THE FINANCIAL STATEMENTS

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
23 Debtors – amounts falling due after more than one year				
Other debtors	22	1	37	–
Deferred taxation	54	–	54	–
	76	1	91	–

Deferred taxation represents the tax relief calculated at a tax rate of 34% (1999 – 34%) on the US post-retirement healthcare benefits.

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
24 Investments – marketable				
Other listed investments at cost:				
– London Stock Exchange	9	6	5	5
– Other stock exchanges	–	–	4	–
	9	6	9	5
Unlisted investments at cost and at directors' valuation	8	–	7	–
	17	6	16	5

The market value of the listed investments at 31st March 2000 amounted to £10 million (1999 £10 million).

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
25 Creditors – amounts falling due within one year				
Bank overdrafts	72	–	102	1
Current portion of – long term bank loans	25	–	75	–
– other long term loans	82	–	15	–
Loans and overdrafts	179	–	192	1
Payments received on account	1	–	3	–
Trade creditors	223	1	252	4
Amounts owed to – Group undertakings	–	3	–	4
– Joint ventures	4	–	5	–
Social security	12	–	17	–
Pension fund contributions	3	–	1	–
Taxation – on profits	49	–	40	–
– other than on profits	23	1	27	–
Amounts owing under finance leases	22	–	10	–
Other creditors	52	3	39	2
Accruals	110	3	90	–
Dividends	36	36	53	53
	535	47	537	63
	714	47	729	64
Amounts secured on certain assets of undertakings in the Group	31	–	31	–

Pilkington plc has guaranteed £4 million (1999 nil) of the Group's bank overdrafts, £63 million (1999 nil) of the Group's other long-term loans and £21 million (1999 £9 million) of the Group's amounts owing under finance leases.

	2000 Group £m	1999 Group £m
26 Creditors – amounts falling due after more than one year		
Bank loans	71	203
Other loans	344	261
Loans	415	464
Amounts owing under finance leases – within five years	36	37
– over five years	10	20
Other creditors	4	5
	50	62
	465	526
Amounts secured on certain assets of undertakings in the Group	76	114

Pilkington plc has guaranteed £67 million (1999 £79 million) of the Group's bank loans, £344 million (1999 £247 million) of the Group's other loans and £42 million (1999 £52 million) of the Group's amounts owing under finance leases.

27 Analysis of financial liabilities

An analysis of interest bearing financial liabilities is set out below. This analysis excludes non-interest bearing creditors of £4 million (1999 £5 million) and non-interest bearing provisions of a contractual nature totalling £45 million (1999 £72 million):

	2000					1999				
	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Fixed rate financial liabilities – weighted average interest rate	Weighted average period for which rate is fixed	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Fixed rate financial liabilities – weighted average interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	%	Months	£m	£m	£m	%	Months
Currency										
Sterling	121	121	–	–	–	162	150	12	7.06	32
US dollar	90	(42)	132	9.26	88	159	146	13	8.64	62
Euro	281	55	226	4.70	34	273	198	75	6.76	43
Australian dollar	26	23	3	6.73	54	39	35	4	6.74	64
Swedish kroner	78	78	–	–	–	40	31	9	5.42	12
Other currencies	66	66	–	–	–	50	16	34	17.10	12
Financial liabilities excluding non-equity shares	662	301	361	6.39	54	723	576	147	9.26	35
Non-equity minority shares	219	197	22	3.54	–	219	–	219	6.22	47
	881	498	383	6.23	54	942	576	366	7.44	41

The disclosures made in notes 27 and 28 should be read in conjunction with the finance and liquidity, treasury and hedging policies and currency and interest rate risk sections of the Financial Review on pages 16 and 17.

Floating rates are based on LIBOR and EURIBOR.

The financial liabilities include non-equity minority interests of £197 million, which relate to the preference shareholders in Pilkington Channel Islands Limited, who have a right to a fixed dividend of 6.55% per annum, fixed for 35 months. This fixed dividend has been swapped into floating rate using financial instruments. Part of the proceeds obtained by Pilkington Channel Islands Limited on repayment of a Eurobond of \$369 million (£232 million, 1999 £228 million) issued by Pilkington Finance Limited to Pilkington Channel Islands Limited will be used, inter alia, to redeem these preference shares after 4th March 2003. The remaining non-equity minority shares of £22 million relate to Flachglas AG and Dahlbusch AG who have a right to a dividend of 3.65% and 3.09% respectively. These rates remain fixed in perpetuity and, in consequence, the average periods for which the rates are fixed are excluded from the figures noted in the above table.

NOTES ON THE FINANCIAL STATEMENTS

27 Analysis of financial liabilities *continued*

The maturity profile of the Group's interest bearing financial liabilities is as follows:

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
Loans and overdrafts				
Due for repayment within one year or on demand	179	–	192	1
Due for repayment between one and two years	19	–	99	–
Due for repayment between two and five years	157	–	246	–
Due for repayment in more than five years	239	–	119	–
	594	–	656	1
Finance leases				
Due for repayment within one year or on demand	22	–	10	–
Due for repayment between one and two years	10	–	11	–
Due for repayment between two and five years	26	–	26	–
Due for repayment in more than five years	10	–	20	–
	68	–	67	–
Total interest bearing financial liabilities	662	–	723	1

The maturity profile of the Group's non-interest bearing financial liabilities is as follows:

	2000 Group £m	1999 Group £m
Creditors and contractual provisions		
Due for repayment within one year or on demand	14	41
Due for repayment between one and two years	4	8
Due for repayment between two and five years	11	6
Due for repayment in more than five years	20	22
Total non-interest bearing financial liabilities	49	77

28 Financial instrument disclosures**(a) Financial assets**

The Group held the following financial assets as part of the financing arrangements of the Group:

	2000 £m	1999 £m
Cash and bank balances	49	97
Marketable investments including deposit accounts of £2 million (1999 £2 million)	17	16
Debtors falling due after more than one year (non-interest bearing)	22	37
	88	150

The cash and bank balances comprise £42 million (1999 £87 million) in respect of balances earning interest at floating rates and £7 million (1999 £10 million) in respect of balances which are non-interest earning. The weighted average interest rate on the interest earning cash balances is 3.70% (1999 – 3.18%).

The weighted average interest rate on the deposit account balances is 7.85% (1999 – 2.08%).

28 Financial instrument disclosures continued

(b) Currency exposures

As explained on page 17 of the Financial Review, the Group's objectives in managing the currency exposures arising from its net overseas investments are to maintain a low cost of borrowing and to ensure that changes in the sterling equivalent of assets and liabilities caused by currency movements do not significantly impact on Group gearing. Gains and losses arising from these currency exposures are recognised in the statement of total recognised gains and losses.

The following summary shows the Group's currency exposures that give rise to currency gains and losses recognised in the profit and loss account, arising from exposures where monetary assets and liabilities of the Group are not denominated in the operating currency of the subsidiary company concerned. (Bracketed figures represent liabilities and unbracketed figures represent assets.)

	2000				
	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
Functional currency of Group operation					
Sterling	–	(6)	(7)	2	(11)
US dollar	(2)	–	–	(1)	(3)
Euro	–	1	–	1	2
Other	(4)	(7)	(12)	2	(21)
	(6)	(12)	(19)	4	(33)

	1999					
	Sterling £m	US\$ £m	Euro £m	Brazilian real £m	Other £m	Total £m
Functional currency of Group operation						
Sterling	–	(4)	3	–	(1)	(2)
US dollar	–	–	–	23	5	28
Euro	–	(6)	–	–	1	(5)
Other	3	2	4	–	5	14
	3	(8)	7	23	10	35

The amounts disclosed above take into account the effect of currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

(c) Borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available in respect of which all conditions precedent had been met at 31st March 2000, were as follows:

	2000 £m	1999 £m
Expiring in one year or less	31	57
Expiring in more than one year but not more than two years	–	137
Expiring in more than two years	338	132
	369	326

NOTES ON THE FINANCIAL STATEMENTS

28 Financial instrument disclosures *continued***(d) Fair values of financial assets and liabilities**

The fair values of the financial instruments are the amounts at which the instruments could be exchanged in a current transaction between willing parties. Market values have been used to determine the fair value of all swaps and forward foreign currency contracts. The fair value of all other items has been calculated by discounting expected future cash flows at prevailing rates. The following summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

Financial assets – cash deposits and marketable investments

The book value and the fair value equate due to the short-term nature of the investments.

Financial liabilities

The book value of long-term borrowings amounts to £415 million (1999 £464 million) whereas the fair value amounts to £444 million (1999 £470 million) due to the long-term nature of the instruments and the element of fixed rate debt held.

The book values and the fair values of all other financial liabilities, including non-interest bearing creditors and contractual provisions are not materially different.

Derivative financial instruments

The fair value of interest rate and cross currency swaps is £8 million (1999 £6 million) compared to a book value of nil (1999 nil). This is the amount the Group would expect to receive on the termination of the agreement after taking current interest rates into consideration.

The fair value of the forward foreign exchange contracts equated with the book value in 2000. In 1999, book value was nil compared to a fair value of £4 million.

(e) Hedges

As explained in the Financial Review on page 17, the Group's policy is to hedge the following exposures:

Interest rate risk – using interest swaps, cross currency swaps and forward foreign currency contracts.

Foreign currency transaction exposures – using forward foreign currency contracts.

Gains or losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains or losses on instruments used for hedging and the movements therein, assuming that interest rates and exchange rates are frozen at the relevant reference dates, are as follows:

	Gains £m	Losses £m	Total net gains/(losses) £m
Gains and losses on hedges at 31st March 1999	13	(6)	7
Gains and losses arising in previous years recognised in 1999/2000	(1)	1	–
Gains and losses arising in 1999/2000 that were not recognised in that year	(9)	(12)	(21)
Unrecognised gains and losses on hedges at 31st March 2000	3	(17)	(14)
Expected to be recognised in 2000/2001	1	(2)	(1)
Expected to be recognised in 2001/2002 to 2008/2009	2	(15)	(13)
	3	(17)	(14)

The gains and losses on hedges at 31st March 2000 arose as a result of the use of financial instruments to manage the interest rate risk. These gains and losses will be matched by the gains or losses on the underlying instrument.

29 Provisions for liabilities and charges	2000		1999	
	Group £m	Company £m	Group £m	Company £m
(a) Post-retirement healthcare				
At beginning of the year	156	2	155	2
Exchange rate adjustments	2	–	4	–
Charged to profit and loss account during the year	13	–	10	–
Utilised during the year	(14)	–	(13)	–
At end of the year	157	2	156	2
Maturity profile:				
Within one year	5	–	4	–
Between one and two years	4	–	5	–
Between two and five years	18	–	20	–
Over five years	130	2	127	2
	157	2	156	2

Accounting for unfunded post-retirement healthcare and life insurance benefits of approximately 1,300 employees and 7,000 retirees and their dependants of Libbey-Owens-Ford Co in the USA, and 900 employees, retirees and their dependants in the United Kingdom, accords with UITF 6.

The Group's obligation for these benefits at Libbey-Owens-Ford Co was assessed by independent qualified actuaries at 1st April 1999 using the projected unit credit method. The underlying assumptions used in this actuarial review were healthcare costs increasing by 4 per cent per annum and the discount rate to determine the liability of 7.5 per cent.

(b) Pensions	2000		1999	
	Group £m	Company £m	Group £m	Company £m
At beginning of the year	156	7	152	6
Exchange rate adjustments	(10)	–	7	–
Changes in composition of the Group	(9)	–	–	–
Charged to profit and loss account during the year	16	2	7	2
Released to profit and loss account during the year	(1)	–	–	–
Utilised during the year	(10)	(1)	(10)	(1)
At end of the year	142	8	156	7
Maturity profile:				
Within one year	15	1	13	1
Between one and two years	12	1	15	–
Between two and five years	34	1	44	1
Over five years	81	5	84	5
	142	8	156	7

Pension provisions principally relate to the pensions payable to employees and former employees of Flachglas AG in Germany and Libbey-Owens-Ford Co in the USA where pensions are ultimately paid from assets held within the companies rather than from separately administered pension funds.

Further details on pensions are disclosed in note 40.

NOTES ON THE FINANCIAL STATEMENTS

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
29 Provisions for liabilities and charges <i>continued</i>				
(c) Warranty and litigation				
At beginning of the year	57	9	51	5
Exchange rate adjustments	(4)	–	1	–
Changes in composition of the Group	(1)	–	(3)	–
Charged to profit and loss account during the year	10	1	16	4
Released to profit and loss account during the year	(1)	–	(4)	–
Utilised during the year	(12)	(9)	(4)	–
At end of the year	49	1	57	9
Maturity profile:				
Within one year	21	1	34	9
Between one and two years	8	–	17	–
Between two and five years	8	–	5	–
Over five years	12	–	1	–
	49	1	57	9

Warranty provisions are created where the Group has given a guarantee to cover the reliability and performance of products over an extended period. Litigation provisions principally include various legal actions.

	2000		1999	
	Group £m	Company £m	Group £m	Company £m
(d) Redundancies and restructuring				
At beginning of the year	77	–	174	2
Exchange rate adjustments	(3)	–	6	–
Charged to profit and loss account during the year	98	–	4	1
Released to profit and loss account during the year	(1)	–	(2)	–
Utilised during the year	(95)	–	(105)	(3)
At end of the year	76	–	77	–
Maturity profile:				
Within one year	48	–	60	–
Between one and two years	12	–	6	–
Between two and five years	13	–	10	–
Over five years	3	–	1	–
	76	–	77	–

The redundancy and restructuring provisions relate to the ordinary and exceptional provisions set up in Building Products (£28 million), Automotive Products (£38 million) and Group Operations and Technology Management (£10 million).

29 Provisions for liabilities and charges <i>continued</i>	2000		1999	
	Group £m	Company £m	Group £m	Company £m
(e) Other provisions				
At beginning of the year	70	1	80	5
Exchange rate adjustments	(1)	–	1	–
Changes in composition of the Group	(1)	–	–	–
Charged to profit and loss account during the year	12	–	21	1
Released to profit and loss account during the year	(3)	–	(10)	(2)
Utilised during the year	(21)	–	(22)	(3)
At end of the year	56	1	70	1
Maturity profile:				
Within one year	8	–	21	1
Between one and two years	5	–	5	–
Between two and five years	18	1	11	–
Over five years	25	–	33	–
	56	1	70	1

The closing balance on other provisions at 31st March 2000 principally includes cumulative leave and payroll obligations amounting to £32 million (1999 £45 million) and environmental provisions amounting to £14 million (1999 £13 million).

(f) Total all provisions	2000		1999	
	Group £m	Company £m	Group £m	Company £m
At beginning of the year	516	19	612	20
Exchange rate adjustments	(16)	–	19	–
Changes in composition of the Group	(11)	–	(3)	–
Charged to profit and loss account during the year	149	3	58	8
Released to profit and loss account during the year	(6)	–	(16)	(2)
Utilised during the year	(152)	(10)	(154)	(7)
At end of the year	480	12	516	19
Maturity profile:				
Within one year	97	2	132	11
Between one and two years	41	1	48	–
Between two and five years	91	2	90	1
Over five years	251	7	246	7
	480	12	516	19

30 Deferred taxation

The balances included in other provisions (note 29 (e)) relate to:

	2000 Group £m	1999 Group £m
Capital allowances in excess of related depreciation	1	1
Other timing differences	1	–
	2	1
Deferred taxation which has not been provided amounted to:		
Capital allowances in excess of related depreciation	173	183
Other timing differences	(90)	(102)
	83	81

NOTES ON THE FINANCIAL STATEMENTS

31 Deferred income	2000		1999	
	Group £m	Company £m	Group £m	Company £m
At beginning of the year	21	12	18	15
Exchange rate adjustments	(2)	–	1	–
Investment grants receivable	2	–	5	–
	21	12	24	15
Released to profit and loss account in the year:				
Other deferred income	(2)	(3)	(3)	(3)
At end of the year	19	9	21	12

32 Commitments and contingent liabilities	2000		1999	
	Group £m	Company £m	Group £m	Company £m
(a) Capital expenditure				
Contracts placed but not provided for in the financial statements	44	–	37	–

(b) Operating lease commitments	2000		1999	
	Property £m	Other £m	Property £m	Other £m
The Group's operating lease commitments for the following financial year are as follows:				
For leases expiring				
Within one year	4	3	7	2
Between two and five years	11	11	9	11
After five years	11	2	4	12
	26	16	20	25

(c) Minority interests in German subsidiary undertakings

In 1989 Pilkington Deutschland GmbH made an offer to acquire the minority interests in Flachglas AG and Dahlbusch AG. If the remaining minority shareholders in these companies as at 31st March 2000 accept such offer, the cost will be DM74 million (£23 million) in addition to the DM280 million (£86 million) paid to those who accepted the offer prior to 31st March 2000.

Certain minority shareholders have legally challenged the offer as insufficient.

In the case related to Flachglas AG, the court has decided that the offer price should be increased from DM577 per DM50 share to DM685. The effect of this decision is to increase the amount payable to those shareholders of Flachglas AG, who have already accepted the offer to purchase, by DM18 million (£6 million), and to increase the amount payable to the remaining minority shareholders by DM11 million (£3 million). The court also decided that the guaranteed dividend, which was an alternative offered by Pilkington Deutschland GmbH to the minority shareholders, should not be increased. The decision of the court is being appealed by Pilkington Deutschland GmbH and the minority shareholders and it is expected that there will be no decision by the appeal court before the end of 2000.

The court dealing with the Dahlbusch AG case has not yet issued its judgement. A court appointed valuer has proposed an increase in the offer price of approximately 19% and an increase in the guaranteed dividend of approximately 14%. These valuation opinions do not constitute rulings and are not binding on the court, which has asked the parties to review and comment on them. Indeed similar opinions were presented in the Flachglas AG case, and rejected by the court in that case. The court in this case is unlikely to issue its decision before the end of 2001, and any such decision would be capable of being the subject of an appeal.

(d) Libbey-Owens-Ford Co minority holding

In the event of a change of control of Pilkington plc, Nippon Sheet Glass has the option to require Pilkington to buy its 20% shareholding in Libbey-Owens-Ford Co at a price of \$230 million (£145 million). This arrangement will cease to apply when the transaction referred to in note 42 has been completed.

32 Commitments and contingent liabilities continued

(e) Pilkington Automotive UK Limited minority holding

In the event of a change of control of Pilkington plc, Nippon Sheet Glass has the option to require Pilkington to buy its 20% shareholding in Pilkington Automotive UK Limited at a price of £13 million. This arrangement will cease to apply when the transaction referred to in note 42 has been completed.

(f) Class action complaints

Since July 1997 Pilkington and Libbey-Owens-Ford Co (LOF), together with four other major glass companies (unrelated to Pilkington), have received class action complaints filed in US Federal, California, Kansas, Oregon, Tennessee and Wisconsin state courts alleging violation of the US anti-trust laws by conspiring to fix US float prices and to allocate customers amongst themselves.

In June 1999 Pilkington and LOF entered into a settlement agreement with the plaintiffs in the US Federal case under which Pilkington and LOF paid an aggregate amount of US\$17 million (£11 million). Pilkington and LOF deny that they violated any anti-trust legislation and believe that they have good defences against these allegations. The settlement was entered into in order to avoid the expense, inconvenience and burden of continued and protracted litigation.

The cases commenced in the state courts are continuing.

(g) Other guarantees and contingent liabilities

At 31st March 2000 the Group has guaranteed, in the ordinary course of business, bank loans of £6 million to third parties (1999 £17 million). The Group had other contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions, some of which are the subject of litigation. In the opinion of the directors, the outcome of such litigation will not have a material effect on the Group's consolidated financial position.

33 Called up share capital

	2000 Company £m	1999 Company £m
Ordinary shares of 50p each		
Authorised – 1,500,000,000 shares (1999 – 1,500,000,000)	750	750
At beginning of the year – 1,091,960,551 shares (1999 – 1,041,598,565 shares)	546	521
Allotted under share option schemes – 49,492 shares (1999 – 1,028,424 shares)	–	1
Allotted in respect of warrants – nil shares (1999 – 46,787,886 shares)	–	23
Allotted in lieu of cash dividends – 7,993,634 shares (1999 – 2,545,676 shares)	4	1
At end of the year 1,100,003,677 shares (1999 – 1,091,960,551 shares)	550	546

Options

Under the company's savings-related share option scheme, options were outstanding on a total of 13,818,249 ordinary shares at prices between 81p and 159p, exercisable between 2000 and 2006.

Under the company's senior executives' share option schemes, options were outstanding on a total of 27,516,437 ordinary shares at prices between 65.4p and 197.37p, exercisable between 2000 and 2009. There are currently 260 executives with outstanding options, of whom 78 are overseas.

Under the company's worldwide share option scheme, options were outstanding on a total of 1,192,451 ordinary shares at a price of 145.88p, exercisable between 2000 and 2001. There are currently 1,123 employees with these options, of whom 410 are overseas.

Of the 42,527,137 options outstanding under the company's various option schemes, 35,618,885 had an exercise price above the share price of 73p at 31st March 2000.

NOTES ON THE FINANCIAL STATEMENTS

34 Movements on share premium account and reserves	Share premium account £m	Revaluation reserves £m	Other Reserves Special reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Group						
At beginning of the year	–	188	100	186	(278)	196
Retained loss for the year	–	–	–	–	(59)	(59)
Premium on shares issued	4	–	–	–	–	4
Goodwill written back (note 7)	–	–	2	–	–	2
Exchange rate adjustments	–	(37)	7	6	(2)	(26)
Transfers between reserves	–	55	(4)	(107)	56	–
At end of the year	<u>4</u>	<u>206</u>	<u>105</u>	<u>85</u>	<u>(283)</u>	<u>117</u>
Company						
At beginning of the year	–	–	343	31	132	506
Retained profit for the year	–	–	–	–	–	–
Premium on shares issued	4	–	–	–	–	4
Transfer between reserves	–	–	(4)	–	4	–
At end of the year	<u>4</u>	<u>–</u>	<u>339</u>	<u>31</u>	<u>136</u>	<u>510</u>

The total of other reserves on the Group's consolidated balance sheet on page 24 comprises the special reserve of £105 million as detailed above, and other reserves of £85 million; and the company's balance sheet on page 24 comprises the special reserve of £339 million and other reserves of £31 million.

The special reserve arose in 1999 as a result of the cancellation and transfer of the company's share premium account. In the Group's financial statements at 31st March 2000 the special reserve is shown net of £234 million of goodwill, which arose on acquisitions occurring in the period from 1986 to 1995. Arising from the court order in 1999, on the creation of new share premium, an amount equal to this may be transferred from the special reserve to the profit and loss account.

In addition to the transfer of £4 million from the special reserve to the profit and loss reserve, the additional transfers to profit and loss reserve arise principally from the disposal of subsidiary undertakings during the year.

The profit for the year attributable to shareholders of the company was £55 million (1999 £58 million). As permitted by Section 230 of the Companies Act 1985 (as amended), the profit and loss account of the company has not been included in these financial statements.

The net exchange gains and losses on foreign currency borrowings less deposits included within revaluation reserve amounted to a profit of £19 million (1999 loss £11 million).

	2000 £m	1999 £m
Group		
Analysis of the retained loss for the year		
Retained by:		
Pilkington plc	–	3
Subsidiary undertakings	(75)	(11)
	<u>(75)</u>	<u>(8)</u>
Joint ventures	1	6
Associates	15	1
	<u>(59)</u>	<u>(1)</u>

The distributable reserves of the parent company amount to £136 million. The other reserves of the parent company are not available for distribution to shareholders in normal circumstances. The special reserve will remain undistributable until the company has paid off all its liabilities, guarantees and contingent liabilities as at 26th February 1999, as required by the High Court when it approved the cancellation of the company's share premium account.

35 Minority interests (balance sheet)	2000	1999
	£m	£m
Equity minority interests	122	136
Non-equity minority interests	219	219
	341	355

Details of the non-equity minority interests are referred to in note 27.

36 Reconciliation of operating profit to net cash inflow from operating activities	2000		1999	
	£m	£m	£m	£m
Operating profit		72		146
Exceptional items (included in operating profit)		115		14
Operating profit before exceptional items		187		160
Depreciation		149		148
Amortisation of goodwill		7		6
Loss/(profit) on disposal of tangible fixed assets (included in operating profit)		1		(3)
Others (net)		(4)		5
Cash inflow/(outflow) arising from changes in working capital:				
Stocks	(4)		6	
Debtors	7		43	
Creditors	16	19	(62)	(13)
Provisions		(14)		(10)
Net cash inflow from operating activities before exceptional costs		345		293

Changes in working capital and provisions exclude balances relating to dividends, finance leases, taxation on profits and exceptional items.

37 Acquisitions and disposals	Acquisitions		Disposals	
	2000	1999	2000	1999
	£m	£m	£m	£m
Net assets of subsidiary undertakings comprised:				
Intangible fixed assets	-	-	2	-
Tangible fixed assets	-	-	33	14
Stocks	-	-	15	6
Debtors	-	-	20	19
Marketable investments	-	-	-	1
Cash (net)	-	-	7	-
Loans and finance leases	-	-	(1)	-
Creditors and provisions	-	-	(33)	(13)
Minority interest	(4)	(5)	-	1
	(4)	(5)	43	28
Provisions re disposals	-	-	(19)	-
Costs and other write-offs relating to the disposal of businesses	-	-	22	-
Disposal costs of the Technical Products businesses	-	-	2	-
Goodwill	(6)	(4)	2	-
(Loss)/profit on disposal	-	-	(4)	1
	(10)	(9)	46	29
Satisfied by – cash	(10)	(9)	46	29

The principal acquisition in 1999/2000 was the purchase of a further 18.6% in Pilkington Sandoglass Sp.z o.o. from a minority shareholder.

Cash acquired on acquisitions was nil (1999 nil).

There were no material fair value adjustments attributable to the acquisition of subsidiary undertakings in the year.

The disposals in 1999/2000 were the Technical Products businesses as described in note 2 and the remaining German Building Products downstream subsidiaries.

NOTES ON THE FINANCIAL STATEMENTS

37 Acquisitions and disposals <i>continued</i>	Acquisitions		Disposals	
	2000 £m	1999 £m	2000 £m	1999 £m
Other investments comprised:				
(Purchased)/sold – associates	(12)	(4)	–	–
– trade investments	(2)	(2)	4	4
	(14)	(6)	4	4
Negative goodwill on associate (note 15)	8	–	–	–
Profit on disposal	–	–	(3)	–
Satisfied by – cash	(6)	(6)	1	4

38 Analysis of changes in net debt

	Cash £m	Overdrafts £m	Marketable investments £m	Bank and other loans £m	Finance leases £m	Net debt £m
Balance at the year ended 31st March 1998	120	(81)	31	(552)	(77)	(559)
Net cash movement	(25)	(20)	(16)	13	11	(37)
Subsidiaries sold	–	–	(1)	–	–	(1)
New finance leases undertaken	–	–	–	–	(1)	(1)
Exchange rate adjustments	2	(1)	2	(15)	–	(12)
Balance at the year ended 31st March 1999	97	(102)	16	(554)	(67)	(610)
Net cash movement	(44)	28	1	4	10	(1)
Subsidiaries sold (excluding cash and overdrafts)	–	–	–	1	–	1
New finance leases undertaken	–	–	–	–	(12)	(12)
Exchange rate adjustments	(4)	2	–	27	1	26
Balance at the year ended 31st March 2000	49	(72)	17	(522)	(68)	(596)

Marketable investments are liquid resources and consist of:

– government bonds	9
– deposit account balances	2
– other investments	6
	<u>17</u>

39 Employee pay and numbers

	2000 £m	1999 £m		2000 £m	1999 £m
UK			Overseas		
Remuneration – aggregate for the year			Remuneration – aggregate for the year		
Wages and salaries	120	121	Wages and salaries	459	500
Social security costs	10	9	Social security costs	67	87
Pension costs	9	8	Pension costs	32	32
	<u>139</u>	<u>138</u>		<u>558</u>	<u>619</u>

Details of directors' emoluments amounting to £3,094,000 (1999 £2,237,000) and pension costs of £381,000 (1999 £637,000) are disclosed in the Report on Directors' Remuneration on pages 8 to 13.

	2000 Number	1999 Number
Location of employees – average number employed		
UK	5,600	5,800
Europe (excluding UK)	13,900	14,700
North America	6,500	6,700
Australasia	2,900	3,200
South America	2,000	1,900
	<u>30,900</u>	<u>32,300</u>

At 31st March 2000 total numbers employed were: UK 5,500 (1999 – 5,700), and overseas 23,000 (1999 – 25,400).

40 Pensions and similar obligations

The Group operates a number of pension schemes throughout the world. The total pension cost for the Group in 2000 was £41 million (1999 £40 million). Almost two-thirds of employees in the UK are members of the Pilkington Superannuation Scheme which is in the nature of a defined contribution scheme. The pension cost charge for the year in respect of this scheme amounted to £9 million (1999 £8 million) and represents contributions payable to the fund for the year. The rest of the schemes operated by the Group are generally defined benefit schemes under which benefits are based on employees' years of service and average final remuneration. With the exception of schemes in Germany and the USA, assets of the schemes are held in separate trustee administered funds. The method of accounting for pensions is set out under the accounting policies on page 19.

Independent actuarial valuations of the Group's main plans are undertaken at least triennially on varying dates. The actuarial assumptions used to calculate the projected benefit obligation of the Group's pension plans vary according to the economic conditions of the country in which they are situated. The actuarial valuations, based on the projected unit method, assume, on a weighted average basis, that the investment return will exceed the increase in the future earnings by 4.9% (1999 – 4.8%). The actuarial value of the fund assets of these plans was sufficient to cover 111% (1999 – 111%) of the benefits that had accrued to members. This surplus is net of a £8 million deficit on the unfunded German pension arrangements, which is being charged over the remaining service lives of the German employees at £1 million per annum. In Germany, the annual charge to the profit and loss account amounted to £8 million (1999 £8 million). The charge is based on an assumed 6% investment return which is fixed by law but salary and pension increase assumptions are not permitted.

The market value of the assets of the major defined benefit plans in the Group at the date of the latest valuations was £415 million (1999 £421 million). Accrued pension costs amounted to £3 million (1999 £1 million) and are included in creditors (note 25). Provisions for the benefit obligation of the unfunded plans mentioned above amounted to £142 million (1999 £156 million) and are included in provisions (note 29(b)).

41 Related party transactions

	2000		1999	
	Joint ventures £m	Associates £m	Joint ventures £m	Associates £m
Sales by Pilkington Group	–	18	2	6
Purchases by Pilkington Group	22	2	33	4
Interest received by Pilkington Group	1	–	–	–
Interest paid by Pilkington Group	–	1	5	–

The Group's related party transactions with joint ventures are principally with Cebrace, and with associates are principally with Vitro Plan SA de CV.

Amounts owed by and owing to joint ventures and associates are shown in notes 22 and 25.

The Group has taken advantage of the FRS 8 exemption not to disclose any transactions or balances between Group entities that have been eliminated on consolidation.

42 Post-balance sheet event

On 25th May 2000 the Group announced that agreement had been reached with Nippon Sheet Glass Co Limited (NSG) to acquire NSG's interests in the Pilkington subsidiaries Libbey-Owens-Ford Co, its subsidiary undertakings L-N Safety Glass and L-N of America, and Pilkington Automotive UK Limited. In exchange, Pilkington will issue NSG with 122,222,630 new ordinary shares representing 10 per cent of Pilkington's enlarged share capital. These shares will rank pari passu in all respects with existing Pilkington ordinary shares except that they will not be entitled to a final dividend in respect of the year ended 31st March 2000 to be paid in August 2000. NSG has undertaken not to sell the Pilkington shares for a period of at least three years.

The transaction is conditional upon the approval of Pilkington shareholders and a shareholder circular and notice convening an extraordinary general meeting will be sent to shareholders separately. When the transaction is completed, the arrangements referred to in notes 32(d) and (e) will cease to apply.

PRINCIPAL SUBSIDIARIES IN THE PILKINGTON GROUP

The following list of subsidiary undertakings comprises those companies that principally affect the financial statements of the Group. The Group's percentage beneficial holding in subsidiary undertakings relates to equity shares unless otherwise specified. All holdings are through Pilkington Brothers Limited, a direct subsidiary of the parent company, unless otherwise stated. Undertakings indicated + are audited by professional accountants other than PricewaterhouseCoopers, and, added to the joint ventures and associates appearing in Notes 18 and 19, represent approximately three per cent of the Group's assets employed. All subsidiary undertakings account to 31st March 2000.

Subsidiary undertakings	Country of operation and incorporation	% Equity held	Product or activity
Europe			
Pilkington United Kingdom Limited	UK	100	Glass manufacturing and processing
Pilkington Automotive UK Limited	UK	80	Safety glass
Flachglas AG	Germany	95	Glass manufacturing and processing
Pilkington Automotive Deutschland GmbH	Germany	95	Glass processing
Pilkington EOMAG AG	Austria	100	Glass processing
Pilkington Norge AS	Norway	100	Glass processing
Interpane Glas AG	Switzerland	100	Glass processing
Pilkington Floatglas AB	Sweden	100	Glass manufacturing
Pilkington Automotive Sweden AB	Sweden	100	Safety glass
Pilkington Lamino OY	Finland	100	Safety glass
Pilkington Lahden Lasitehdas OY	Finland	100	Glass manufacturing
Pilkington France SA	France	100	Glass processing
Pilkington Danmark A/S	Denmark	100	Glass processing
Pilkington Aerospace Limited	UK	100	Aircraft transparencies
Pilkington IGP SA	Poland	100	Glass processing
Pilkington Sandoglass Sp.z o.o.	Poland	75	Glass manufacturing
SIV SpA	Italy	100	Glass manufacturing
Pilkington Micronics Limited	UK	100	Glass for data storage and display
Pilkington Special Glass Limited	UK	100	Optical and special glass
North America			
Libbey-Owens-Ford Co	USA	80	Glass manufacturing and processing
Libbey-Nippon Holdings Inc	USA	40	Safety glass
L-N Safety Glass, SA de CV	Mexico	40	Safety glass
Pilkington Aerospace Inc	USA	100	Aircraft transparencies
Rest of the World			
Pilkington (Australia) Limited	Australia	100	Glass manufacturing and processing
Vidrieria Argentina SA	Argentina	51	Glass manufacturing
Vidrios Lirquen SA	Chile	26	Glass manufacturing
Santa Lucia Cristal S.A.C.I.F.	Argentina	100	Safety glass
Pilkington Vidros Limitada	Brazil	100	Glass processing
Blindex Vidros De Seguranca Limitada	Brazil	100	Safety glass
Pilkington (New Zealand) Limited	New Zealand	100	Glass processing
Guilin Pilkington Safety Glass Co Limited+	China	60	Glass processing
Changchun Pilkington Safety Glass Co Limited+	China	51	Glass processing
Holding and finance companies			
Pilkington Holdings Inc	USA	100	Holding company
Pilkington Nederland Holdings BV	Netherlands	100	Holding company
Pilkington International Holdings BV	Netherlands	100	Holding company
Pilkington Nederland (No 2) BV	Netherlands	100	Holding company
Pilkington Australasia Limited	Australia	100	Holding company
Pilkington Finance Limited	UK	100	Finance management
Pilkington (Forex) Limited	UK	100	Finance management
Pilkington Channel Islands Limited (subsidiary of Pilkington plc)	Jersey	66	Finance management
Pilkington Channel Islands Limited preference shares (held by Pilkington Channel Islands Holdings Limited)	Jersey	16	
Pilkington Deutschland GmbH	Germany	100	Holding company
Pilkington Deutschland GmbH preference shares	Germany	99	
Dahlbusch AG	Germany	99	Investment and property company

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the company as at the end of the accounting period and of the profit or loss of the Group for that period. In preparing the financial statements, suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, are used and applied consistently. Applicable accounting standards are followed subject to any material departures being disclosed and explained in the notes to the financial statements. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The directors are also responsible for maintaining proper accounting records, safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF PILKINGTON plc

We have audited the financial statements on pages 18 to 52, including the additional disclosures on pages 8 to 13 relating to the remuneration of the directors, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 18 to 21.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 5 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 31st March 2000 and of the result and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
1st June 2000

PILKINGTON RESULTS EXPRESSED IN EUROS FOR THE YEARS ENDED 31ST MARCH

Group profit and loss account	2000	1999
	€m	€m
Turnover		
Group's turnover – continuing	3,716	3,482
Group's turnover – discontinued	126	123
Share of joint ventures' and associates' turnover	381	350
Turnover including joint ventures and associates	4,223	3,955
Operating profit		
Group – continuing	285	223
Group – discontinued	6	10
Share of joint ventures' and associates' operating profit	80	79
Group operating profits before exceptional items	371	312
Deduct exceptional costs	(179)	(26)
Operating profit	192	286
Non-operating exceptional items	(13)	2
Profit before investment income and interest	179	288
Investment income	2	1
Net interest payable and similar charges	(100)	(117)
Profit on ordinary activities before taxation	81	172
Taxation	(70)	(61)
Profit on ordinary activities after taxation	11	111
Minority interests	(17)	(32)
(Loss)/profit for the financial period attributable to shareholders of Pilkington plc	(6)	79
Dividends	(86)	(80)
Retained loss of the Group	(92)	(1)
(Loss)/earnings per share (eurocent)	(0.6)	7.3
Fully diluted (loss)/earnings per share (eurocent)	(0.6)	7.3
Dividends per share (eurocent)	7.8	7.3
Profit before exceptional items and taxation	273	197
Earnings per share excluding exceptional items (eurocent)	14.2	9.5

Summary Group balance sheet	2000 €m	1999 €m
ASSETS EMPLOYED		
Fixed assets		
Intangible fixed assets – goodwill	151	153
Tangible fixed assets	2,503	2,385
Joint ventures, associates and trade investments	374	294
	3,028	2,832
Current assets		
Stocks	576	559
Debtors	745	745
Investments – marketable	28	24
Cash at bank and in hand	81	144
	1,430	1,472
Creditors – amounts falling due within one year	(1,185)	(1,086)
Net current assets	245	386
Total assets less current liabilities	3,273	3,218
FINANCED BY		
Creditors – amounts falling due after more than one year	772	784
Provisions for liabilities and charges	797	769
	1,569	1,553
Deferred income	31	31
	1,600	1,584
Called up share capital	913	813
Reserves	194	292
Total equity shareholders' funds	1,107	1,105
Minority interests	566	529
	3,273	3,218
Summary Group cash flow		
Net cash inflow from operating activities before exceptional costs	539	427
Exceptional costs – restructuring and disposal of operations	115	143
Net cash inflow from operating activities	424	284
Dividends received from joint ventures and associates	14	25
Net cash outflow from returns on investments and servicing of finance	(111)	(115)
Taxation paid	(23)	(42)
Net cash outflow from capital expenditure	(242)	(263)
Net cash inflow from acquisitions and disposals	38	26
Net cash inflow/(outflow) before dividends, management of liquid resources and financing	100	(85)
Equity dividends paid by parent company	(101)	(51)
Management of liquid resources	(2)	23
Net cash (outflow)/inflow from financing:		
– Issue of Pilkington plc ordinary shares	–	82
– Loans and finance leases	(22)	(35)
Decrease in cash	(25)	(66)

GROUP FINANCIAL RECORD FOR THE YEARS ENDED 31ST MARCH

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Turnover	2,707	2,709	2,991	3,096	2,899
Profits					
Operating profit – Group companies	187	160	130	152	214
Operating profit – joint ventures and associates	51	54	56	28	–
Exceptional items	(123)	(17)	(225)	(55)	(157)
Group profit/(loss) – before taxation and exceptionals	175	135	120	132	212
– before taxation and after exceptionals	52	118	(105)	77	55
– after taxation and after exceptionals	7	76	(167)	28	(8)
Group (loss)/profit attributable to shareholders of Pilkington plc	(4)	54	(186)	2	(25)
Dividends	55	55	54	52	48
Assets employed					
Intangible fixed assets	91	103	101	–	–
Tangible fixed assets	1,508	1,601	1,566	1,596	1,845
Investments in joint ventures, associates and other undertakings	225	197	182	181	200
Net current assets	148	259	267	445	617
Total assets less current liabilities	1,972	2,160	2,116	2,222	2,662
Financed by					
Total shareholders' funds	667	742	660	837	971
Minority interests	341	355	347	286	303
Creditors over one year, provisions and deferred income	964	1,063	1,109	1,099	1,388
Funds invested	1,972	2,160	2,116	2,222	2,662
Cash flow from					
Operating activities	271	195	184	288	217
Dividends from joint ventures and associates	9	17	17	13	22
Returns on investments and servicing of finance	(71)	(79)	(84)	(38)	(81)
Taxation paid	(15)	(29)	(42)	(44)	(67)
Capital expenditure (net)	(154)	(180)	(186)	(130)	(183)
Acquisitions and disposals	24	18	56	51	(160)
Dividends	(65)	(35)	(51)	(50)	(33)
Liquid resources	(1)	16	7	(1)	49
Financing	(14)	32	71	(107)	232
Decrease in cash	(16)	(45)	(28)	(18)	(4)
Key figures					
Capital expenditure on tangible assets	194	193	211	186	232
Operating profit before goodwill amortisation and exceptional items to total turnover	9.0%	8.1%	6.4%	5.8%	7.4%
(Loss)/earnings per share	(0.4p)	5.0p	(18.0p)	0.2p	(2.9p)
Earnings per share excluding exceptional items	9.1p	6.5p	4.1p	5.8p	14.0p
Dividends per share – declared	5.0p	5.0p	5.0p	5.0p	5.0p
Dividend cover	(0.07)	1.0	(3.4)	0.04	(0.5)
Share price – high	118p	148p	167p	219p	222p
– low	63p	50p	104p	120p	161p
– as at 31st March	73p	83p	122p	120p	209p

The 1998 figures have been amended to reflect the capitalisation and amortisation of goodwill arising after 1st April 1995. Also the EPS figures have been adjusted in that year and subsequently for FRS 14.

The figures for 1996 have not been amended to reflect changes to the profit and loss account disclosures of joint ventures and associates following adoption of FRS 9.



PILKINGTON

Pilkington plc
St Helens United Kingdom
<http://www.pilkington.com>
Registered in England No 41495